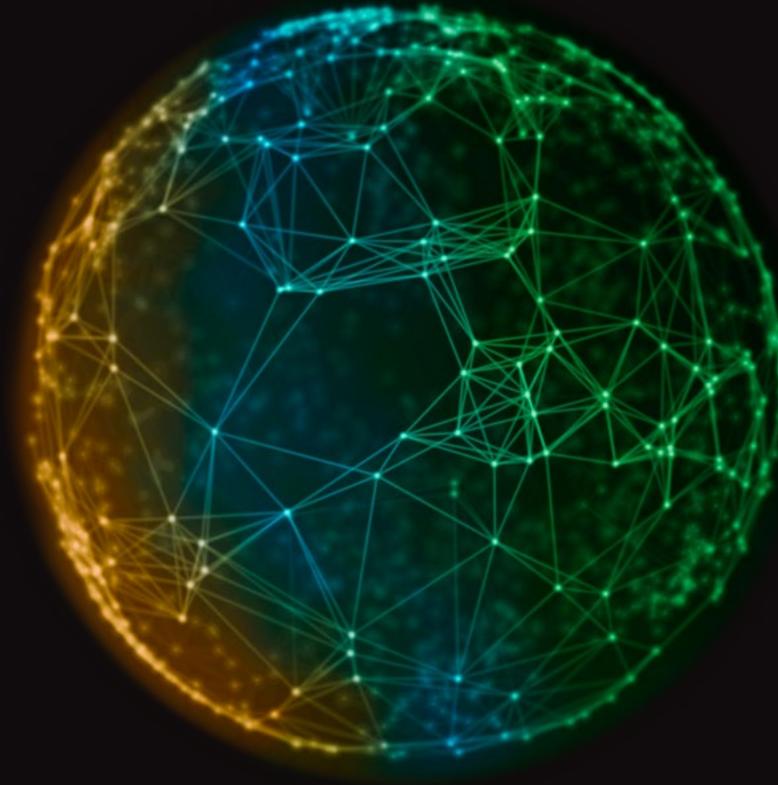


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## **One Year On**

Reflections and predictions from the impact of COVID-19  
and the path to building stronger resilience

# One Year On

## One Year On is a set of succinct perspectives on the impact of COVID-19 on business life.

We acknowledge that any review of what the twelve months has meant and will mean for businesses is a risky exercise. Why?

Because we are working and living through a dynamic event which will continue to change many aspects of our lives now and in the future.

Nonetheless, our focus is to help you step back and make sense of the complexity and volatility, so that you can be ready to meet the next challenge and opportunity.

Each of our contributors agree that the consequences of the past year are profound and will shape our economic and social landscape for years to come.

See if you agree?

### Foreword

On Tuesday 23 March 2020, the Prime Minister announced in a national address, the first UK lockdown.

So much has changed since. The tragic loss of life and the toll on individual's health, through to economic disruption and general uncertainty.

Crises, as the wisdom goes, can also show us at our best. Displays of duty and service have reminded us of values like sacrifice, community and solidarity. And not just from our frontline workers, rightly lauded as heroes, but from all parts of society.

While we are still responding to the pandemic in many respects, we can still try and make sense of it and what its legacy might be. Again, there are no certainties, just possibilities. The pandemic is giving us all a new understanding of the world.

One Year On attempts to wrestle from our experience the significant changes, shifts and trends shaping tomorrow. Having the right mind-set, resources and capabilities to thrive before, during and after adversity is one of the indisputable lessons of the year.

### What we cover

- **Operational resilience**  
What have we learnt about resilience and how to achieve it?
- **Financial resilience**  
How have organisations maintained financial health?
- **Reputational resilience**  
What effect has COVID-19 had on public trust and corporate reputation?
- **People & work**  
How has COVID-19 changed leaders and the workforce?
- **Supply chain**  
What is the legacy on supply chain strategies?
- **Crisis management**  
What does it now mean to be crisis ready?
- **Risk management**  
How will risk management be different?
- **Cyber security**  
What are the lessons for cyber security and digital infrastructure?
- **Climate change**  
Has COVID-19 changed our response to climate change?

# Operational resilience

## Reflections

The pandemic has shown us that operational resilience depends on adaptability and flexibility. Finding an alternative way to deliver services characterises the operational resilience approach of many businesses. This marks an important shift from previous thinking, which focused on plans and procedures to recover an asset. In more severe or complex events, this approach may not be achievable, or desirable.

## Predictions

- **Risk functions will assess failure modes and impacts**, discounting probability.
- **Organisations will seek greater flexibility** in their business models and in how services are delivered. They will create options which enable them to adapt more rapidly to events and they will enhance contingencies which will provide better short-term buffers to disruption.
- **Impact thresholds will be set for essential services**. Severe, but plausible scenarios will be used to stress test whether these thresholds could be breached. This is a key learning from the strengthening of financial resilience post-financial crisis of 2008 (Impact thresholds based on liquidity and capital adequacy were set and these are now subject to regular stress testing).
- **Digital twin simulation techniques will enable the modelling of the effects of failure** and the effectiveness of operational resilience measures under severe, but plausible scenarios. This in turn will provide better understanding of where vulnerabilities exist and support better investment decisions in operational resilience.
- **Operational resilience is one of the three pillars of organisational resilience**, alongside financial and reputational resilience. These pillars reinforce each other and together they create the resilient organisation of the future.
- **The 'Resilience Statement' proposed by BEIS** in their consultation report on audit and corporate governance will drive organisations to act on these predictions.



### Rick Cudworth, Partner, Crisis and Resilience

rcudworth@deloitte.co.uk

Rick has 30 years industry-leading experience in organisational resilience and crisis management. He is the Chair of the British Standards Institute Technical Committee for continuity and resilience.



# Financial resilience

## Reflections

COVID-19 is not the first time in recent memory that organisations' financial resilience frameworks have been tested. Organisations have navigated volatile financial environments whilst facing liquidity pressure before and these types of events have shown us that financially resilient organisations generally have diverse, forward-looking and flexible frameworks. These characteristics are integral to both delivering strategic change and navigating a financial crisis.

Our research has shown that, during the early months of the pandemic, the strongest performers in the S&P 500 had strong balance sheets. Investors were looking for companies with cash – a blunt test of financial resilience. This leads to the question of what firms can do to better evidence their financial resilience to stakeholders, using a broader set of metrics.

## Predictions

- **Robust capital structures require options**. Alternatives sources of capital create diversity and flexibility. We expect to see, in response to the recent uncertainty, organisations increasingly diversifying the type of instruments they use, their sources of capital and the markets they look to for funding. Aligned to this, firms will develop resilience indicators providing the necessary transparency to distinguish themselves from peers and to win the confidence of investors.
- **Advancements in technology were changing the business landscape before the pandemic and their use will only accelerate**. How powerful would firms' liquidity management processes be if supported by live data?
- **Corporates will look to financial services for good practices driven by regulation following the 2008 financial crisis**. For the Financial Services industry, we expect recovery and resolution plans to be commonplace for entities that are critical to the public interest. For corporates, we anticipate scenario analysis and stress testing being used to evidence financial resilience (both capital and liquidity) to further shocks, both micro and macro.



### Adam Knight, Partner, Audit and Assurance

aknight@deloitte.co.uk

Adam leads Deloitte's resilience offerings within Audit & Assurance. He provides an extensive range of regulatory support to the market and to regulators across the globe.



# Reputational resilience

## Reflections

COVID-19 has been a collective, rather than an individual crisis. It has been a test of judgement, character, values and reputation. Could organisations detect the mood of the moment and show solidarity to the greater cause. The majority of organisations pivoted to demonstrate purpose and act selflessly to care for customers and employees and wider society.

## What can we learn from this?

- **Action led communications:** In difficult times, the context for communications shifts dramatically. Generous acts, rather than lofty words, counted. Action led communications builds trust.
- **A reset for business:** Organisations and capitalism have shown its better side in the response to the pandemic. Retailers trading through daily challenges, telecoms keeping us connected, big data helping the health effort, banks offering interruption loans and payment holidays. Stepping up in those moments of truth shapes perception. If CEOs continue with this mind-set, business can win the peace too.
- **People power:** COVID-19 has brought companies together through an emotional, shared experience. Internal engagement has got immense attention from leaders and rightly so. The lesson not to be missed is the value of bringing the internal audience into all key business conversations and connecting to employees personally and emotionally.

## Predictions:

**Corporate character matters.** In a society where citizens want to see change, sending signals your business is reflective, in tune with society and active in its challenges will become a critical concern for executives who aspire to be purposeful leaders and achieve trusted corporate reputations.



### Mark Hutcheon, Reputation Lead, Risk Advisory

mhutcheon@deloitte.co.uk

Mark is an experienced corporate reputation professional with time spent in leadership roles both in-house and agency side. He leads Deloitte's reputation risk and corporate affairs work for clients.



# People & work

## Reflections

The pandemic has brought people back into focus as the most valuable asset of an organisation. Recognising "front line heroes", accelerating business transformation, fissures in traditional leadership approaches and questions related to the purpose of workplaces have been major trends. We went from academic thinking about the Future of Work to its instant implementation which 'Zoomed' into our lives. The crisis has shown the resilient nature of people and how human capital is critical to business strategies in ways most executives never realised.

## Predictions

- **Inclusion will remain a key focus but with a new definition:** Organisations will continue looking at better ways to engage and build a level playing field by expanding their search for different talent pools triggered by the new ability to be more flexible in work. Offering flexible working, the lack of a need to be physically close to the workplace and new technologies which enable better collaborative working.
- **Continued expansion of the criticality HRD/CHRO role:** Whereas the financial crisis of 2008 saw the expansion of the CFO role, the pandemic has brought about a laser focus on people and their importance in organisations. To optimise the asset, organisations have focused on purpose and the alignment between business models and individual desires, including the wellbeing of people. HR's role in curating these assets will continue to grow and expand.
- **The vaccine isn't the end, it is the beginning:** As the return to the office becomes a key objective for leadership teams, there will be huge complexities to work through – such as working patterns, "no job, no pay" challenges, new workplace norms and social interactions, and expanded duty of care requirements. Organisations will need to balance the tactical with the strategic to win in the world of 'the new normal'.



### Shivani Maitra, Partner, Consulting

shvaitra@deloitte.co.uk

Shivani leads Future of Work for private sector in the UK and has most recently been working with clients on environmental and technological changes and the impact of these on Work, Workplace and Workforce.



# Supply chain

## Reflections

Many years of globalisation and the drive for margin growth led to specialised global supply chains, optimised perfectly for predictable levels of demand.

COVID-19 initially highlighted a lack of awareness of the importance of certain supply markets (particularly China) and the lack of visibility most companies have beyond their immediate supply base.

Later in the pandemic, the lack of flexibility in adapting to new demand patterns (both higher and lower) came to prominence, as did the need to build agility into the total supply chain as successive waves of planned and unplanned lockdowns took hold.

## What can we learn from this?

- **Benefits of digital connection:** A digitally enabled supply network can connect end to end supply chains and facilitate the rapid response to changing demand patterns efficiently.
- **Necessity of the digital twin:** The power of analytics to wargame scenarios accurately and to contingency plan previously unimaginable scenarios can drive greater financial certainty.
- **Importance of strategic supply partnerships:** Whether to stand up a new direct to consumer capability, extend credit or to monitor supplier risk in near real time – the enabling effect of collaboration has been made clear.

## Prediction

The use of AI and cognitive learning to reduce the time between identifying a change and implementing a revised course of action will drive the next wave of competitive advantage. Cognitive control towers are the near future and will lead to an incremental but inexorable transition to total supply chain autonomy.



### Anu Sekhri, Partner, Consulting

anusekhri@deloitte.co.uk

Anu is an experienced leader focused on supply chain transformation using technology. He has extensive business consulting, operational management and technology deployment experience.



# Cyber security

## Reflections

The pandemic has forced us to respond and rapidly accelerate digitisation. The over-night adoption of remote working, remodelled supply chains, a growing preference for cashless payments and the introduction of e-commerce at scale, has highlighted innovation in adversity.

And with innovation naturally comes risk. Increasing targeted attacks on individuals and an exponentially increased attack surface (where not all surfaces are secured equally) continue to pose challenges as we move through this global event. While many of these trends and solutions are not new to COVID-19, the pandemic has expedited both the thinking and adoption in order to stay secure and competitive.

## Predictions

- **A renewed focus on basic cyber hygiene and human firewalls:** The start of the pandemic saw a wave of COVID-19-related phishing and social engineering attacks. This trend will continue with executives and anyone with privileged access likely to be the biggest target. Future waves will exploit less obvious vulnerabilities using more complex attack paths, taking advantage of user devices and difficulties caused by social distanced cyber response.
- **Agile security; the emergence of the cyber engineer:** Rapid deployment of new digital features and functionality has been core to the survival of a number of businesses. Economically distressed companies and organisations using rapidly built digital solutions are likely to be higher priority targets. Expect to see a shift in the profile and focus of the cyber professional and a larger move towards platform based security, where security is driven iteratively at pace with digital releases.
- **A permanent addition to the network – the home office:** The traditional security model that everything inside an organisation's network should be trusted has been eroded during pandemic. Employees are increasingly outside of the traditional corporate network perimeter. The move to contextual and behaviour based security models, built around zero trust have moved from theory to reality.
- **A conversation on privacy:** COVID-19 has challenged us to decide how much privacy we have in return for health and safety. Tracking and tracing is a fundamental component of our return to normal but there's likely to be a conversation on the necessity of surveillance that might extend beyond the immediate crisis.



### Peter Gooch, Partner, Cyber Risk Services

pgooch@deloitte.co.uk

Peter leads Deloitte's "Secure" capabilities within Cyber, which includes Information Protection, Privacy, Identity Management and Infrastructure Security. He has 17 years experience of Privacy and Data Protection engagements.



# Risk management

## Reflections

The impact of the pandemic has thrust risk functions onto the centre stage. Executives asked them to play a unique role, that few other teams could. By bringing order to multiple and complex data points, understanding the ramification of the pandemic and using well defined governance forums to provide unique insight across diverse and geographically spread operations.

## What can we learn from this?

- There are few teams that are as uniquely placed as the risk function, with access to leaders across the organisation and an ability to structure, prioritise and escalate insights and options to support decision making.
- Business leaders value risk function's capability to quickly appraise the situation, identify common themes, make connections across the organisation to mobilise resources and present decision makers with clear and viable options and choices.
- The initiative is now clearly back with risk functions and risk leaders in how they choose to support management preparing the organisation to thrive in the longer term.

## Predictions

- **Progressive risk functions will be increasingly called upon to participate in strategic planning**, bring scrutiny to the levels and type of risks being taken, continue to bring fresh insights from emerging risks and expect to expand their support in much more timely operational decision making through risk data points, trends and predictions.



### Tim Archer, Lead Partner, UK Governance Advisory

tarcher@deloitte.co.uk

Tim has over 26 years' experience specialising in providing governance, risk management and internal controls services to corporate sector clients.



# Crisis management

## Reflections

COVID-19 has been a unique challenge for organisations and society as a whole. No one has been left unaffected so there were no lines drawn between victim and villain. We have all been in it together.

As a result, there were a huge number of heroes at all levels within organisations. 'Leadership' was on display everywhere as people pulled together to support one another and their communities.

Imagination was unleashed as organisations offered their assets and harnessed their core competencies to contribute to the greater good. Although many organisations adapted their crisis response frameworks, the tenants of crisis preparedness good practice held fast and proved their worth under their greatest test yet.

## Predictions

- **A renewed interest in crisis preparedness:** Crisis preparedness has always fought against a tide of 'it won't happen to me' complacency. After allowing themselves a brief pause to enjoy not being 'in crisis', organisations will now give greater attention to the possibility of existential threat and revisit their crisis preparedness for 'what next?'.  
• **More disruptions:** There are more shocks and disruptions to come. Changing stakeholder expectations, greater reliance on complex and novel technologies and climate change will continue to test crisis preparedness.
- **Closer links between crisis management and other risks disciplines:** Crisis management has often been decoupled from other risk-related disciplines. We predict it will become more integrated as organisations seek to take a more holistic view of their resilience.
- **Emphasis on behaviour as much as process:** COVID-19 showed that behaviour matters as much as process when it comes to crisis management. The emphasis on training and development for crisis response will therefore increase in recognition of this.



### Tim Johnson, Partner, Crisis & Resilience

timjohnson@deloitte.co.uk

Tim is a crisis, issues and reputation management specialist. He has worked all over the world helping clients improve their crisis management and crisis communication preparedness.



# Climate change

## Reflections

As the pandemic unfolded and the world went into lockdown, my first thoughts as a climate practitioner were not filled with confidence.

Climate action emerged as a key priority for 2020. But would COVID-19 take short-term attention away from the longer-term challenges of decarbonisation?

Would corporate sustainability programmes suffer a setback during a period of economic contraction, as we'd seen happen in the previous global financial crisis of 2008? The science dictates that we now have less than a decade to halve emissions if we're to avoid the worst impacts of climate change. This time, we don't have time to make excuses and delay.

Fortunately, neither of these situations have materialised. Rather, 2020 felt like a breakthrough year for climate action. Why?

- **Major carbon commitments:** A host of high profile net zero and carbon negative commitments emerged across sectors, which sets in place the frames for a widespread transformation of business models and supply chains over the next decade.
- **Climate risk and strategy is rising decisively up the agenda,** with the Chancellor's announcement that premium-listed PLCs would be the first to provide mandatory disclosure, using the recommendation of the task force on Climate-related Financial Disclosures.
- **Boards engaged with climate change in new ways during 2020.** With digital technology scaling ease of access to seminars and information, we provided more information and reached more Directors and NEDs through our climate programme at the Deloitte Academy than ever before.

## Predictions

- Ahead of COP 26, we anticipate **more organisations will share their vision for a low-carbon future.**
- **Net zero commitments will become the norm** for the UK's largest businesses. Accelerating action through supply chains and bringing the question of offsetting back to the table (after spending some years as a rather unfashionable topic of conversation). The question of how we pay for the transition will loom large, prompting further growth in the already booming sustainable finance space.
- Progressive **risk functions will be called upon to participate in strategic planning** and bring scrutiny to the levels and type of climate risks organisations face. We will see more use of climate scenario planning to shape operational decision making through risk data points, trends and predictions.



### Ben Richards, Associate Director, Sustainability

bcrichards@deloitte.co.uk

Ben has over 15 years' experience in strategic sustainable business. He helps clients deliver diverse sustainability projects and respond to emerging risks such as digital responsibility and industry 4.0.



# Predictions at a glance



## **Operational Resilience - the ability to adapt rapidly**

Organisations will seek greater flexibility in their business models and in how their services are delivered. They will create options which enable them to adapt more rapidly to events and they will enhance contingencies which will provide better short-term buffers to disruption.



## **Financial Resilience - alternative sources of capital**

Robust capital structures require options. Alternative sources of capital create diversity and flexibility. We expect to see, in response to the recent uncertainty, organisations increasingly diversifying the type of instruments they use, their sources of capital and the markets they look to for funding.



## **Reputational Resilience - becoming in tune with society**

Corporate character matters. In a society where citizens want to see change, sending signals your business is reflective, in tune with society and active in its challenges will become a critical concern for executives who aspire to be purposeful leaders and achieve trusted corporate reputations.



## **People & Work - greater inclusion and flexibility**

Inclusion will remain a key focus but with a new definition: Organisations will continue looking at better ways to engage and build a level playing field by expanding their search for different talent pools triggered by the new ability to be more flexible in work.



## **Supply Chain - the use of AI and cognitive learning**

The use of AI and cognitive learning to reduce the time between identifying a change and implementing a revised course of action will drive the next wave of competitive advantage. Cognitive control towers are the near future and will lead to an incremental but inexorable transition to total supply chain autonomy.



## **Cyber - renewed focus on cyber hygiene and human firewalls**

The start of the pandemic saw a wave of COVID-19-related phishing and social engineering attacks. This trend will continue and anyone with privileged access likely to be the biggest target. Future waves will exploit less obvious vulnerabilities using more complex attack paths, taking advantage of user devices and difficulties caused by social distanced cyber response.



## **Risk Management - timely operational decision making**

Progressive risk functions will be increasingly called upon to participate in strategic planning, bring scrutiny to the levels and type of risks being taken, continue to bring fresh insights from emerging risks and expect to expand their support in much more timely operational decision making through risk data points, trends and predictions.



## **Crisis Management - greater importance on crisis preparedness**

There is a renewed interest in crisis preparedness. Crisis preparedness has always fought against a tide of 'it won't happen to me' complacency. After allowing themselves a brief pause to enjoy not being 'in crisis', organisation will now give greater attention to the possibility of existential threat and revisit their crisis preparedness for 'what next?'.



## **Climate Change - growth in sustainable finance**

Net zero commitments will become the norm for the UK's largest businesses. Accelerating action through supply chains and bringing the question of offsetting back to the table. The question of how we pay for the transition will loom large, prompting further growth in the already booming sustainable finance space.



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