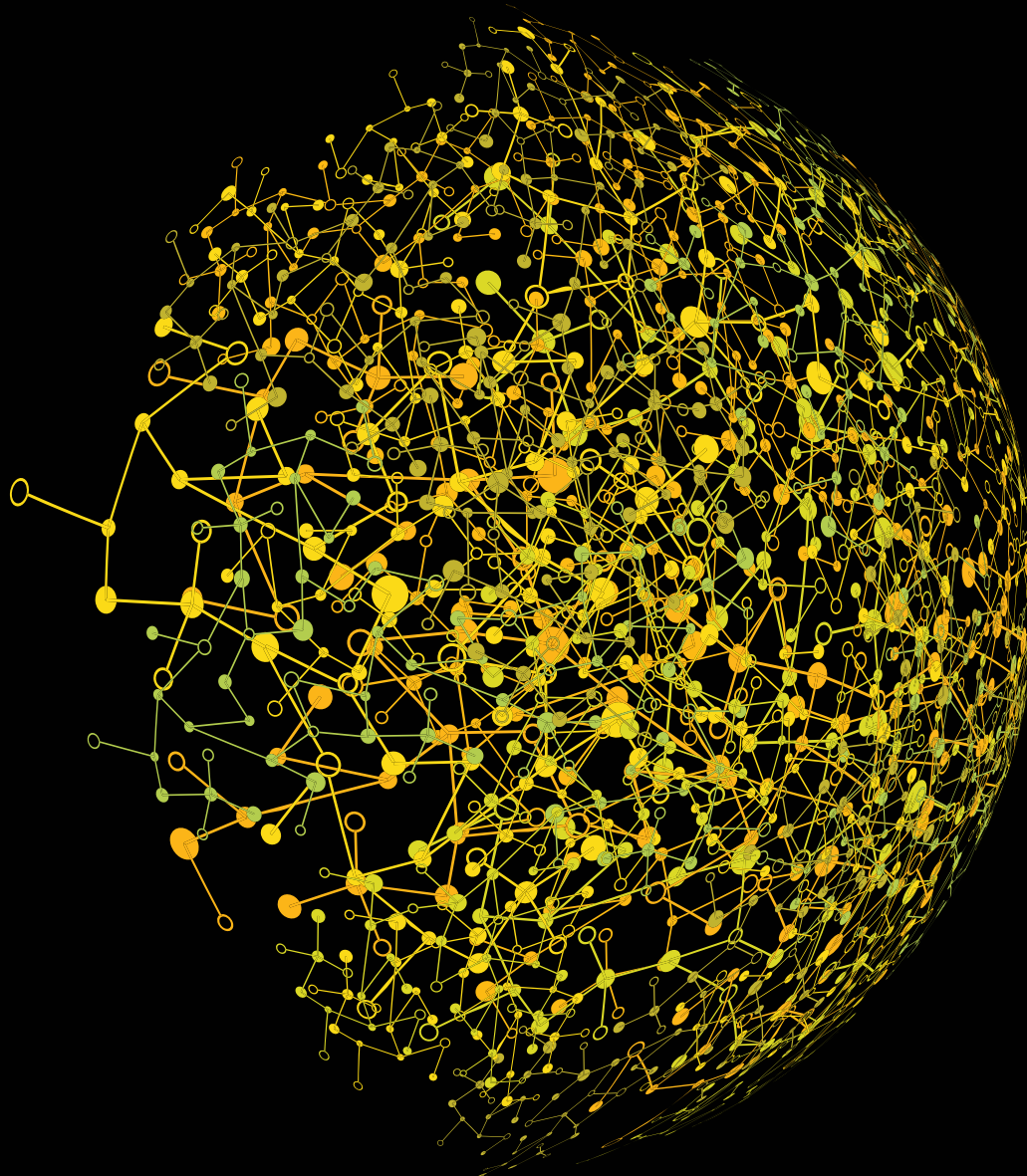
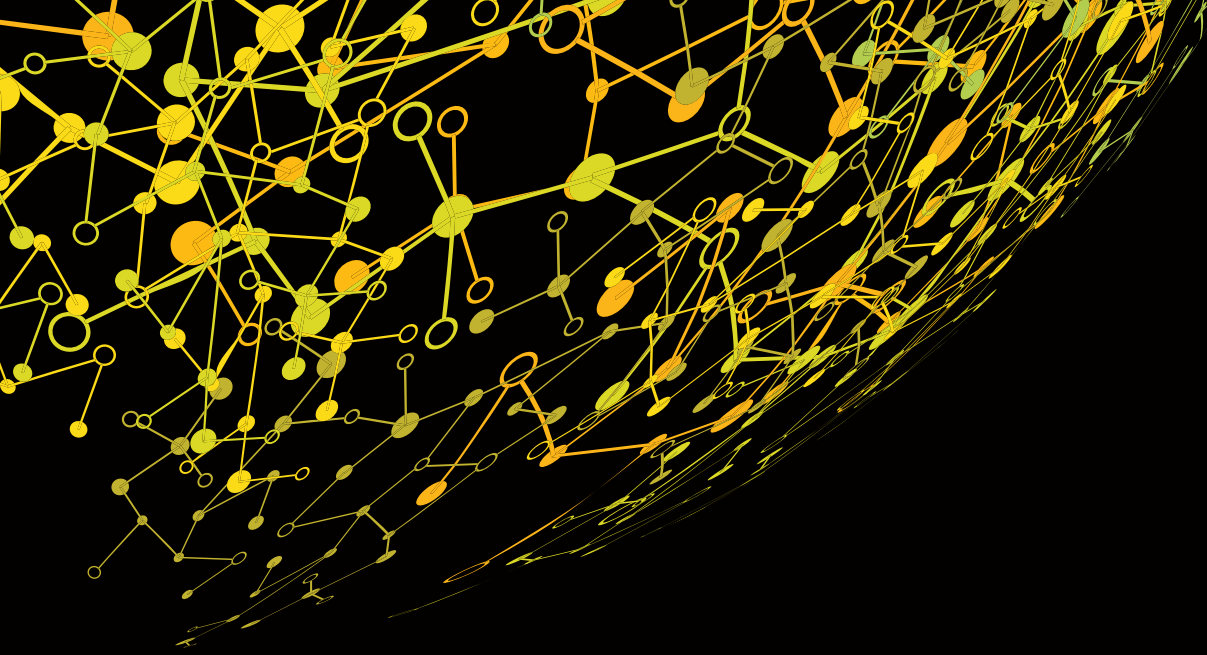


**Deloitte.**



**COVID-19**

Orchestrating the recovery  
of organizations and supply chains



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# Introduction

Orchestrating the recovery from the COVID-19 pandemic will require unprecedented coordination and collaboration across organizations, markets, and the economy at large.

The COVID-19 pandemic is a global crisis without modern parallel. The lack of precedent for a black swan event so broad in its impact across geographic, demographic, and economic sectors explains why many public and private sector organizations were already becoming strained before the World Health Organization (WHO) officially declared a pandemic on 11 March 2020.

While there is no proven playbook for this COVID-19 crisis, we believe that a typical crisis plays out over three time frames:

**Respond** – in which a company deals with the present situation and manages continuity

**Recover** – during which a company learns and emerges stronger

**Thrive** – where the company prepares for and shapes the “next normal”

The priority of leaders over the past weeks has been focused almost exclusively on how to respond. However, leaders have the substantial and added responsibility to nimbly consider all three timeframes concurrently and allocate resources accordingly.

While assessing and getting the response right is always the first step in managing a crisis, it is never too soon to apply learning and begin planning for the aftermath. Given the complexity of the pandemic, there is reason to believe that the recovery phase for COVID-19 will require unprecedented levels of orchestration and coordination during what promises to be a challenging and potentially protracted recovery period. Planning for this recovery now—even under uncertainty as the crisis continues to unfold—will be repaid in more precise and considered actions and a stronger bounce back as the impact of COVID-19 eventually lessens and the business environment rebounds. Furthermore, the actions that a company takes during this transitional recovery period can set the foundation for it to thrive and achieve sustained growth and performance after the pandemic is over.



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# From respond to recover: Shifting from central command to central orchestration

Most companies established a crisis management center during the response phase to assess the immediate impacts and provide direction and information to people, customers, suppliers, and broader ecosystem partners about immediate actions to mitigate risks. However, resilient organizations go further and look for clues about how and when the recovery will take place, and establish flexible plans for the recovery period. As a result, in anticipation of the recovery, the role of the centre will change and evolve, from a directive-oriented crisis command centre to an enablement-focused orchestration role.

To anticipate and plan for this pivot to a recovery-oriented posture, organizations should ask several questions:

- How do we know when to start pulling back from the containment measures put in place to ensure the health and safety of our people?
- What are the leading indicators of the rebound to help us best time the launch of our recovery efforts?
- How have customers and markets changed due to COVID-19? Will this be a lasting change or a transitional change? Are our products and services still relevant in a post-COVID-19 market, or must they adapt to new realities?
- How do we restart manufacturing and broader supply chain operations, considering the abrupt and uncoordinated nature in which supply chains were slowed or shut down?
- How do we manage working capital as operations restart and inventory and material orders build in an uncertain market? How can we maintain operational flexibility to serve customers while maintaining adequate liquidity during an extended ramp up period?
- How can technology be leveraged to better orchestrate cross-functional efforts within the company, as well as efforts across our extended supply chain partners, to synchronize supply to updated forecasts and demand signals?



# Monitoring for signals of the economic rebound

While there is still a lot of uncertainty regarding the COVID-19 pandemic, a likely scenario is a V-shaped trend where a sudden economic slump is followed by a sharp rebound. Economists are largely in agreement that the rebound will start in the second half of the year, but are currently divided on whether the recovery will begin in the third or last quarter. Recent announcements of coordinated monetary and fiscal stimulus are making this V-shaped outcome more probable.

## With that in mind, what should companies be monitoring to sense the inflection point in the economy?

As a health crisis, the most important metric will be the number of new cases of COVID-19 being reported. The WHO publishes a “Situation Dashboard” that is updated daily and serves as a reliable and factual source of the true state of COVID-19 around the world. While health officials stress that there can be a cycle of abatement and rebound, once there is a declining trend, there will be a greater likelihood that the virus is burning out. Other statistics, like the share of active-to-closed cases and recovery rates, are also important. Monitoring individual country statistics could also provide additional information, and will be particularly useful for international firms or those that depend on export markets.

Beyond the health statistics, there are a plethora of economic and financial indicators. Due to the nature of this particular economic shock, some traditional leading economic indicators may not be the most relevant. For example, the US nondefense capital goods orders is typically an accurate leading indicator, but its informational value has been lessened by the backlog related to restrictions on the movement of goods,

services, and people. Therefore, we believe that the following indicators should be tracked to provide the clearest picture of the rebound timing, and the most likely progression back to a normal economic environment:

- **Hours worked.** A key metric will be hours worked. This will plunge as economies weaken and containment efforts are applied. Accordingly, a rebound would signal people getting back to work. Employment is of secondary importance to hours worked, but job creation would be a sign of improvement. The unemployment rate is a lagging indicator, so while the media will emphasize this metric, it is really a report of how bad things were, not how things are improving.
- **Unemployment claims.** Initial claims for unemployment benefits are a telling indicator of current conditions. It will rise in the near term, but should decline quickly when the economic tide turns. The US Department of Labor publishes weekly data each Thursday morning that offers a glimpse of the health of the US labor market. Employment statistics from other countries, such as Canada, often lag by about two months, so they might not be as useful as a metric to understand rebound timing.
- **Retail sales.** Retail sales will also be a good signal of the economic tide, indicating when consumers are returning to malls and retail outlets. However, it is important to distinguish between base retail sales versus forward buying of necessities, as we have seen in this pandemic. It will also be important to distinguish between traditional brick and mortar retail versus e-commerce sales (which we have seen improve during the pandemic as people shun contact). Wholesale sales may also be a useful gauge as it tends to lead consumer spending.

- **Home sales.** Home sales and listings will also be a good indicator of recovery. The drop in interest rates, leading to lower mortgage rates, as well as potential discounts could make buying more attractive. Benefits of lower rates won't be felt when people are social distancing and avoiding going to open houses, but home buyers are likely to jump into the market the moment conditions start to stabilize.
- **Manufacturing activity (e.g., Purchasing Manager Indexes and Baltic Freight Index).** Manufacturing shipments are currently being depressed by the global manufacturing slump and weakness in global supply chains. Therefore, a rise in shipments would be a signal of commerce being restored. Similarly, a pick-up in the timely Purchasing Manager Indexes (PMIs) and the Baltic Freight Index will highlight a recovery in manufacturing activity. The PMIs are also a good proxy for business confidence, particularly in goods-producing sectors, as well as retail trade.
- **Equity market indexes (e.g., DOW, FTSE, DAX, Nikkei, Hang Seng).** In terms of financial indicators, equity markets tend to be a leading indicator, as they embody expectations of future profits. Just as equities plunged before the economic hardship could be measured, they will also rebound before many economic data series improve.
- **Commodity price indexes.** Commodity prices (e.g., oil) can also be a signal of improvement, but we need to differentiate between whether they are rising due to increased demand (positive) or reduced supply (which can be economically negative because it means less production). For example, in the case of oil, the rapid decline in the cost per barrel was in part due to decreased demand due to COVID-19 disruption, and in part due to a disagreement between Saudi Arabia and Russia on production levels.
- **Yield curve.** The shape of the yield curve is another leading indicator that will likely be relevant. Once financial market fears abate, longer-term bond yields should trend higher. This should steepen the yield curve, or at least make it less inverted, offering some respite for the financial intermediation industry. Just as there was a flight from equities to bonds, the recovery should see a reversal of this trend. However, central bank actions, such as the large-scale purchases of longer-term bonds, could inject some volatility into the bond market, making it important to remain informed.

- **Company financial reports and analyst guidance.** Company reports and/or guidance will be very telling. Quarterly financial reports are likely to be too dated, but any timely signals will be useful. In early February 2020, as COVID-19 was still largely contained and growing in China, a number of companies were quick to issue downward guidance related to reduced demand among consumers in China, or supply shortages due to extended plant shut downs. Similarly, companies are likely to issue positive guidance as market and supply chain conditions improve.

Notably absent from this recommended list of indicators is consumer confidence. This is largely due to the difficulty in capturing sentiment across a large swath of the population. Moreover, the data is often proprietary and is typically lagged. However, psychology is critical at the moment and any good and timely metrics on consumer confidence will be valuable to companies as they triangulate to the best possible view of the start of the rebound from this crisis. For consumer-oriented businesses, digitally scanning the internet for consumer sentiment data, potentially even focused on a specific product category, may be a viable approach.

In the current environment, it goes without saying that in addition to monitoring domestic news, examining the evolution of international health, economic, and financial indicators is critically important. The global economy is tightly integrated, and any sustained turn in the cycle will only happen alongside a broad international improvement. However, the rebound will start at different times by geography, or country, and the duration of the rebound will vary by supply chain and the nature and magnitude of the disruption by geography and industry. Global supply chains will only be able to fully rebound and resume normal operations when all key participants across the extended supply network, from source to consumer, are able to recover.







# Cross-functional and cross-enterprise orchestration and integration

Leading an organization through the rebound, when there will still be uncertainty and concerns over the health and safety of people, will be challenging. In addition, restarting complex global supply chains that have been impacted by both demand-side shocks and supply-side disruptions will not be easy. For organizations to plan and execute well in the upcoming recovery phase, unprecedented internal cross-functional collaboration and external coordination across the extended supply chain and ecosystem must happen.

The pivot that organizations must make, in shifting attention and resources from response to recovery, is across all management dimensions of this crisis—risk and financial management, people, customer, and supply chain. Technology will play a key role in enabling collaboration and coordination, supporting business leaders in the planning and execution of their actions, and ensuring systems and data remain secure and stable across all areas of the business during this transitional period.

Here are some recommended actions for companies to take during this still-turbulent recovery period that will be essential for long-term success.

# Risk management, business continuity, and cash flow

- 1. Ensure risk management frameworks and systems are in place.** This is not the time to assume that the worst is over and risk management can be de-prioritized. It will be necessary to ensure that you have risk management tools in place, specifically related to your customer (e.g., credit risk) and your extended supply network (e.g., supply risk). Resilient organizations will apply the lessons of the 2008 global financial crisis to sense and respond to customer and supplier credit risks. Keep in mind there is a need to balance risk management processes and solutions with efficacy. Over-designing risk management programs for the recovery period can make them cumbersome.
- 2. Enhance visibility with control towers.** Visibility will be critical to managing through the recovery—providing the best and most timely information available to support timely and confident decision-making. Consider implementing “control towers” to provide right-time data visibility, proactive alerts, prescriptive insights, and self-driving execution. In some cases, these control tower solutions may need to be quickly pulled together. World-class control towers will be enabled by artificial intelligence and machine learning (AI/ML) and advanced analytics and ingrained in business processes through change management. Some examples to consider in managing through this crisis:
  - **Supply network risk control tower.** Proactively identify suppliers and/or commodities that pose elevated levels of supply chain risk in both your direct supplier base and within the extended supply network (i.e., your supplier’s suppliers). Visualize key performance indicators across supplier contracts, predict stock-outs, bottlenecks, and dips in contract On-Time In-Full (OTIF) performance as supply chains restart and work back to a state of synchronization.
  - **Customer service control tower.** Provide real-time visibility to the status of customer order fulfillment and opportunities to improve service levels (e.g., leveraging inventory beyond the customer’s primary fulfillment centre). Enable more effective communication with customers, including product availability expectations and more accurate delivery date estimates.
  - **Logistics control tower.** Provide visibility to inventory levels across the network to satisfy customer demand. In addition, provide visibility to the state of the logistics network, including logistics backlogs and anticipated delays due to port congestion, border delays, and logistics infrastructure capacity constraints. Leverage the visibility to streamline material flows and improve customer service.
  - **Factory control tower.** Gain increased visibility to supplier constraints, inbound materials and material quality expectations to improve labour scheduling, asset utilization, and throughput during the disruptive period in which supply chains restart and ramp up to normal flows. In addition, improve visibility to the status of production across facilities, which will likely not be operating at full capacity and normal performance levels, to proactively address operational issues and ensure any impact to customer promises can be communicated in a timely manner.
  - **Quality control tower.** Detect and prioritize quality issues using advanced analytics algorithms to more quickly and accurately address inbound materials and parts quality issues and finished goods quality issues as operations restart and quality issues are expected to increase.

- 3. Consider cognitive risk sensing solutions.** The COVID-19 crisis will have reverberating risks throughout the rebound. Cognitive risk sensing enhances the resiliency of a rebound program through augmenting an organization's risk sensing capabilities beyond what is readily available through ERP systems and supplier attestations. Digital risk sensing solutions provide locational intelligence on emerging risks (such as a secondary wave of outbreaks) in real-time.
- 4. Maintain focus on cash flow.** For many companies, demand or supply side disruptions that reduced the flow of products also reduced the flow of cash and credit. Few companies will be as financially strong once the rebound begins as they were before the pandemic. A cash strategy for the recovery is just as important as it is during the crisis. For example, it may not be wise to replenish depleted inventory positions for slower-moving products (or even typically fast-moving products where demand has not returned yet) that could tie up valuable cash in assets that won't move quickly. In addition, customers and suppliers may require flexibility, creating longer (or smaller) receivables or shorter payables. Treasury will need to flexibly and creatively balance working capital.
- 5. Anticipate bankruptcies or extended periods of disruption within your ecosystem.** Sadly, not all companies will successfully navigate this crisis. As the business environment rebounds, some direct customers and suppliers may no longer be available. In some cases, it will be the failure of a customer's customer or a supplier's supplier in the end-to-end supply chain that will need to be managed. Proactively assessing customer and supplier financial health—both independently and through regular dialogue—can help identify challenges and potential solvency risks within the supply network.
- 6. Secure financing to support first mover advantage.** In preparing for the rebound, companies will need to make choices with regard to how much inventory to pre-build in anticipation of markets re-opening and customer and consumer demand increasing. In addition, pricing strategy and decisions related to absorbing cost increases (e.g., premium air freight) need to be carefully considered with a view to long-term customer loyalty, and could put short-term pressure on cash flow. Ensure that the proper financing is in place to support growth aspirations in the rebound period.
- 7. Develop continuous scenario analysis capability.** As supply chains restart and gradually work their way back to normal operating levels and synchronization, there will be challenges. Proactive planning of potential risks, developing mitigation plans, and making well-informed risk/reward trade-offs are key to successful execution during the recovery period. When alarms are triggered, indicating possible upsets to the plan, there should be a process in place to identify alternative actions. This process should compare, analyze, and select the best alternative scenario and present recommendations to the designated stakeholders.
- 8. Begin to prepare for the next crisis.** For the COVID-19 pandemic, there was no proven playbook. However, this is not the first health crisis that the world has faced and likely won't be the last. As organizations assessed risk and developed risk mitigation plans and actions during the response phase of this crisis, a lot of good practices were developed, leveraging new innovative approaches to business continuity made possible by advances in information technology. In this crisis, with an "abundance of caution," there was significant focus on specific health and safety guidelines, rethinking employee health and wellness programs and benefits, and containment planning that should be worked into the playbook for the next time. This is also a good time to revisit the vulnerabilities that were exposed and to construct resilience strategies, and better define the operational and financial thresholds that trigger defined response actions in the event that crises occur, and escalate.

# Leadership and continued focus on employee health and well-being

- 1. Respond with purpose.** Seek and reinforce solutions that align to your purpose, your societal obligations, and that serve the heart of the organization. Stay focused on what's on the horizon to instill confidence and steadiness across your ecosystem. Make sure that the short- to medium-term recovery and efforts are aligned to longer-term aspirations and goals.
- 2. Clarify cross-functional leadership roles and responsibilities.** Crisis management requires centralizing decision-making in fewer nodes for consistency, speed, and decisiveness, especially since uncertainty can paralyze some decision-makers. Executing in the rebound will require cross-functional collaboration, with clear roles and responsibilities. Clarify metrics and performance expectations and ensure that incentives are tied to business goals and cross-functional optimization versus individual and functional area performance.
- 3. Enable and encourage decentralized decision-making.** While times of great uncertainty require top-down leadership to provide clear direction and information, during the recovery period that approach needs to be complemented by empowering front-line decision makers to take action. Build small, trusted, multi-disciplinary task forces at the local level (e.g., office, plant, distribution centre) to drive efforts in the rebound and ramp up period and enable rapid adaptation to changing local circumstances. It is important to ensure that the right decision is made at the right time and by the right layer within the organization. It is also important to have a timely escalation process so that other team members are empowered to make decisions based upon agreed-to responsibilities.
- 4. Support employee mental health and wellness.** Everyone has been impacted and has responded differently to the threats to their health, to the changes to ways of working, and to disruption to normal routines. As the market signals point to the period of recovery, be mindful that there will still be cases of COVID-19 within their communities and many employees will be very sensitive coming back to work. They might feel anxious about another outbreak or potential exposure, coming back to a different workplace than they left (e.g., new protocols, changes to returning workforce composition, changes in leadership direction/strategy), and an overall sense of anxiety to an unsettled future. And, all of this is wrapped around their personal stresses that are also still playing in the background as they come back to work. Recognize some stress-related issues will surface immediately and others will arise over time. It will be crucial to demonstrate a willingness from management to listen to team members and to provide safe spaces for communication. Consider creating forums for individuals to be vulnerable and discuss their feelings/observations and support each other. Ensure leaders are showing up with an overabundance of empathy, checking in regularly with teams (at all levels), and being more transparent than ever to help their communities come back together at work. Realize this will not be a short-term strategy but something that is woven into the cultural fabric of a long-term people strategy.
- 5. Consider operational priorities and a staged return to work.** Develop operational scaling plans for “must have” services/roles, including temporary and permanent succession plans. Consider staggering return dates based on prioritization, adjusting shift schedules, and/or working hours to meet evolving operational needs. Adjust or establish approaches to workforce forecasting, in collaboration with unions where applicable, that use strategic scenario planning to account for both real-time and anticipated future change to workforce requirements.



**6. Enable workforce flexibility.** As China's nascent recovery illustrates, flexible organizations are best positioned for the rebound. Organizations can plan ahead for the ramp up by cross-training staff (anticipating ongoing absenteeism), developing workplace disinfection and Personal Protective Equipment (PPE) protocols, and separating shift-based workers to avoid transmission as workers return. Some businesses hit hard by demand drops in China have been particularly creative, even loaning or leasing workers to other companies coping with a demand spike during the pandemic. Such out-of-the-box approaches to workforce planning can be beneficial to employers straining to avoid pandemic-induced layoffs of valued staff, while also positioning for a quick rebound.

**7. Harvest innovations to define the “next normal.”**

The COVID-19 crisis is likely to accelerate fundamental teaming and structural changes that were inevitable in any case but are now likely to occur far faster than they would otherwise. Consider that the “virtualization” of work—undertaken from home or elsewhere, with remote collaboration and reduced travel for physical co-location—has been evolving steadily. Today, all around the world, businesses and their talent are learning to communicate, collaborate, and coordinate on virtual platforms, and are understanding the increased efficacy and efficiency such modalities of work can provide. Virtual work and collaboration tools are likely to create a booming new market space. The necessity to expand virtual work may even lead some companies to consider whether these changes should become more commonplace going forward.

# Markets, customers, and signals of the demand-side recovery

- 1. Seek a broad set of demand signals to intelligently sense and react to the market.** This crisis will eventually pass—and just as the onset wasn't uniform across regions and industries, the end is unlikely to be clearly marked, or to happen all at once. Resilient organizations will plan for a rebound by looking closely at market signals and seek leading indicators to time the rebound. Consumer sentiment, retail sales, commodity futures, and Purchasing Managers' Indexes are tried and true leading indicators. Customer sentiment, supplier feedback, and industry-specific indicators, such as freight indexes and manufacturing capacity, should also be used to develop timing scenarios.
- 2. Prioritize serving your most loyal and important customers.** Although all customers are important, inventory may not be sufficient to meet all demands during the rebound and recovery period. It may become necessary to determine which customers to serve first, and in a structured manner, and how inventory will be fairly allocated. Proactive customer communication is crucial as supply networks re-emerge, often with less than a full complement of products. This pandemic has affected everyone, and customers will be generally understanding as impacts are felt across supply chains—provided they are kept informed.
- 3. Re-forecast demand to reflect the return to the “next normal.”** The pandemic will change forward demand forecasts for many goods and services during the rebound. Demand for products with highly elastic demand (e.g., hand sanitizer, restaurant meals) may surge or crash following the pandemic. Resilient companies will proactively re-forecast demand to have enough supply once demand returns, while avoiding tying up precious working capital in excess inventory. Products with typically inelastic demand are not immune to this requirement either, due to the “pantry-stuffing” effect: for example, households may be holding high levels of products like toilet paper that they will use up before regular demand returns. Lastly, the possibility that long-term demand for certain product categories will permanently shift due to changing consumer preferences, or have been altered due to the wealth effect (reduced consumer spending due to the diminished value of household savings and assets), must be modelled and forecasted.
- 4. Shape demand with a view to ability to supply.** The characteristics of the rebound will likely vary by region and industry. In some cases, there may be a sharp rebound or drop-off in demand immediately coming out of this crisis before returning to normal—or, the “next normal”—levels. Organizations should consider various techniques (e.g., pricing, incentives, promotions) to dampen these bullwhip effects and enable supply networks to efficiently come back to synchronization. In markets where demand has been lost (especially hard-hit regions or sectors such as hospitality and leisure), organizations should develop and execute plans to re-stimulate demand, with a focus on what can be supplied as operations and supply chains re-start.



- 5. Establish clear product priorities in collaboration with the supply chain function.** Replenishing inventory across the supply chain back to normal levels, aligned to revised demand projections, will take time and require product priorities to be clearly agreed to. Production substitution logic and rules need to be defined, and product relationships need to be clearly understood (i.e., if you need two products to complete a job, having only one in stock won't help). In many cases, not all packaging sizes, colors, flavors, or fragrances are required immediately to provide customers and consumers with access to the products that they need.
- 6. Manage and reduce product portfolio complexity.** This may be an appropriate time to review the overall product portfolio and look for opportunities to rationalize SKUs and reduce complexity. Experience shows that consumer preferences change after a crisis or in an economic recession. Different products may perform better in the next post-COVID-19 business cycle. Re-evaluate value propositions in light of these changes. Synchronize efforts between product management, sales, and operations to accelerate/deprioritize product roadmaps as needed. Simplifying the product portfolio and clarifying product priorities can help enable a faster supply chain rebound as these priorities are clearly communicated to your operations team, to their direct suppliers, and across the extended supply network.
- 7. Revisit pricing and customer contracts.** Few markets will be spared pricing disruption—some of it long term—during the rebound. Some areas, such as logistics and freight, may see sharp price increases due to capacity constraints during the rebound. Other markets, particularly those where customers have diminished liquidity or sustained reduced demand, may require creative pricing or payment terms to get business moving. Pricing and associated commercial terms should be carefully considered to reflect fair sharing of cost increases and decreases with customers and suppliers. Businesses and consumers are likely to punish sellers who are seen to be taking advantage of their market power as markets rebound—a challenge for businesses facing working capital constraints. This means the decisions organizations make during the rebound can set a good or bad precedent for future customer and supplier interactions, so plan carefully.
- 8. Enhance extended sales channel visibility to demand and inventory.** Demand signals can be distorted as channel inventory is replenished by customers. During the recovery, it will be important to have visibility to ultimate customer/consumer demand to properly synchronize supply chains. It will also be essential to have visibility to inventory positions across customers to optimize inventory replenishment or allocations as supply chains rebound.

# Restarting and synchronizing supply chains

- 1. Implement dynamic sales and operations planning (S&OP) processes.** Originally focused on matching supply and demand, sales and operations planning must now facilitate organizational alignment between business goals and plans, while enabling quick responses to continuously changing business conditions. In an era where governments are invoking long-dormant war measures legislation to induce shifts in manufacturing production, the "next normal" will require a much more integrated and iterative approach to S&OP processes. The cadence of the S&OP process and key alignment meetings will need to accelerate significantly, likely from monthly to weekly, in this volatile period. The commercial organization will play a critical lead role in communicating customer priorities to the supply chain organization. And cash flow considerations have never been more important; they'll be an important constraint to consider in supply chain decisions and inventory rebuilding plans. The feedback loop and scenario analysis will need to be quick, as there will be a number of constraints in the extended supply chain that will make demand and supply alignment more complex during the rebound period.
- 2. Focus on end-to-end supply chain constraint management.** It is crucial to proactively identify possible constraints in each area of the supply chain, be it an internal limitation, such as workforce availability, or raw materials and production availability. Good constraint management means creating a plan to manage these constraints and to understand their impact on financial performance and avoid lost opportunities. As the constraints change, adjustments are made to the business plan so that it stays aligned with the financial plan and remains on track for consistent profitability and cash flow.
- 3. Enhance dynamic inventory deployment capabilities.** Within a company's distribution network, customers are typically served from a primary distribution centre. Inventory at that node in the network is optimized based on historical demand, using statistical techniques to buffer against demand and supply variability to achieve a desired service level. However, the current environment is far from normal, and demand and supply side volatility is much higher than normal. As business rebounds, companies should expect imbalances of inventory across the network that will necessitate fast action to determine when inventory from a non-primary location will be used to satisfy a customer demand.
- 4. Secure logistics capacity, considering alternative routes and modes to and from impacted markets.** The recovery period may be marked by irregular flows of goods for extended periods as regions emerge from (or re-enter) periods of quarantine. Recovery-oriented organizations are already anticipating and preparing for potential mismatched regional availability and demand for logistics assets, particularly international shipping containers, cargo planes, and to a lesser extent, rail cars and freight trailers. Further, resilient companies will anticipate and plan for portions of their networks to come back online later than others and create alternative logistics routes and mode plans in advance.



**5. Revisit costs and implications in supply agreements.**

The demand shocks induced by COVID-19 have impacted commodity costs in almost every sector of the economy, with sharply lower prices for widely consumed commodities such as oil, natural gas, copper, iron, and plastic resin. Resilient organizations will proactively drive down their costs to reflect changes in commodity prices, while working thoughtfully with suppliers who may be struggling themselves, to be well positioned for whichever market conditions greet them in the “next normal.”

**6. Enhance multi-tier supply network visibility.**

Orchestration of the rebound requires the transparent flow of product, cash, and information across each tier of the supply chain. This includes ensuring adequate visibility to inventory in sales channels through to the locations that will serve the ultimate customer so that more intelligent inventory allocation decisions can be made. Companies will need to embrace new digital approaches to illuminate the supplier network to gain visibility to critical material and component supply as quickly as possible.

**7. Refine alternate supply sources.** As this crisis has quickly taught us, even well-conceived supply networks have struggled to operate at full capacity during the pandemic, given the rippling disruptions across regions. A resilient supply chain recovery may require the temporary or permanent substitution of alternate supply sources for materials. Such an approach will reduce the number of choke points in the supply chain that could develop as regions emerge unevenly after the pandemic by working around congested ports of entry, mitigating shortages due to supply rationing or as insurance against supplier collapse. It is important to realize that even as regions emerge from the pandemic, individual supplier workforces could be forced into reduced operations or full quarantine should the virus re-emerge in specific cities or workplaces. For new suppliers that are likely to become more permanent members of the supply network, now may be a good time to review the tax, customs, and duties considerations of the new supply chain flows.

# Questions about the future... and the “next normal”

It's important to remember that we have faced crises like this in the past, and will face them again in the future. In moments of uncertainty and concern, it's not only about what leaders of organizations do, but equally important, how they do it that matters. With clarity and resolve, the most resilient organizations will put the immediate mission first. They will stabilize the situation by taking decisive action, and prioritize speed over elegance. Yet at the same time, they will provide the kind of leadership and vision that the moment demands by creating a narrative of a clear path forward and embracing the long view. Even in moments of disarray, effective leaders never lose sight of opportunities that lie on the next horizon.

In this next phase of recovery from the COVID-19 pandemic, leaders will move from central command to central orchestration. The ability to collaborate effectively across functions, and maximize enterprise performance over functional targets, will be critical to effectively executing in the recovery phase of this crisis. Additionally, the ability to work in synchronization with end-to-end supply chain partners in a manner that optimizes the performance of the total supply chain, and not just an organization's own interests, will be essential to rebalancing supply to demand and shortening the overall timeline to full recovery.

Keep in mind that COVID-19 is also likely to accelerate fundamental and structural changes that were inevitable in any case but are now likely to occur far faster than they would otherwise.

## Questions companies would be well-served to consider:

1. **Will the COVID-19 pandemic fundamentally change my/our culture, how you distribute work and deploy your workforce, how you team, and how you engage your people?** In the longer term, this situation may present an opportunity to think about how you elevate communications, create a more resilient workforce, and build more focus on health and well-being.
2. **Will innovative and new technologies enable your organization to achieve a new vision for the future of work, of the workforce, and of the workplace?**  
We are at an inflection point where technological capabilities are ready to transform every facet of work as we know it. Through automation, robotics, cloud, and cognitive computing, the work done by humans will fundamentally shift. By offering virtualization and enabling the extended enterprise, your workforce will transform. And by enabling collaboration, cloud-based services, and remote work, your workplace will alter forever.
3. **How will the COVID-19 crisis impact customer-focused growth strategies and the value that you provide to your customers and broader stakeholders?** What moments in people's lives can you improve via your offerings? What new, improved, and innovative offerings can you launch in the market now that will give you momentum as we come out of COVID-19? By letting your customers know how important they are to you by keeping their interests first and foremost, you will be rewarded with their loyalty and trust. Now is a time to relook at your customers, and to factor their needs into your future offerings.
4. **Will this crisis elevate the role of the CFO in setting corporate and supply chain strategies, as well as S&OP processes?** Through this crisis we have been reminded that "cash is still king" and that careful attention to working capital and sound financial management is an important element of a company's resiliency and long-term success. We have also been reminded that it is not only physical materials and products that flow through supply chains, but also cash and information. These three flows are interrelated and must be managed in an integrated manner.
5. **Could COVID-19 be the black swan event that finally forces many companies, and entire industries, to rethink and transform their global supply chain model?** This crisis has highlighted the fact that modern supply chains have become highly sophisticated and vital to the competitiveness of many companies. Their interlinked, global nature also makes them increasingly vulnerable to a range of risks, with more potential points of failure and less margin of error for absorbing delays and disruptions.

Fortunately, just as technology will enable the next evolution of the future of work, advances in information and communications technology are also making the evolution of the supply chain possible. Technologies such as IoT, cloud computing, 5G, AI, 3D printing, and robotics are all critical to enabling the digital supply network of the future through end-to-end supply chain visibility, collaboration, responsiveness, agility, and optimization.



At the same time, a volatile business environment, and the probability of another global crisis such as the COVID-19 pandemic, makes this evolution all the more necessary.

## Report authors

**Jim Kilpatrick**

Deloitte Global Supply Chain  
& Network Operations Leader  
jimkilpatrick@deloitte.ca

**Craig Alexander**

Deloitte Canada Partner  
& Chief Economist  
craigalexander@deloitte.ca

**Lee Barter**

Deloitte Canada SCNO Partner,  
Supply Chain Innovation & Eminence Leader  
lbarter@deloitte.ca

## Contributors

**Andy Main**

Global Head of Deloitte Digital  
amain@deloitte.com

**Steven Hatfield**

Global Future of Work Leader  
sthatfield@deloitte.com

**Mark Lillie**

Partner, Deloitte Global Technology  
Strategy & Transformation Leader  
mllillie@deloitte.co.uk

**Jeff Moir**

Partner, Canadian Human Capital Leader  
jmoir@deloitte.ca

**Jason Dess**

Global Finance &  
Performance Management Leader  
jadess@deloitte.ca

**Karen Pastakia**

Partner, Deloitte Canada  
Future of Work Leader  
kapastakia@deloitte.ca

**Erica Volini**

Global Human Capital Leader  
evolini@deloitte.com

# Deloitte Global Supply Chain & Network Operations Leaders:

## **Australia**

John O'Connor  
jococonnor@deloitte.com.au

## **Austria**

Huber Clemens  
clhuber@deloitte.at

## **Belgium**

Paul Delesalle  
pdelesalle@deloitte.com

## **Brazil**

Celso Kassab  
ckassab@deloitte.com

## **Canada**

Mark Woods  
mawoods@deloitte.ca

## **Chile**

Pablo Morales  
plmorales@deloitte.com

## **China**

Ge Liang Gong  
ggong@deloitte.com.cn

## **Croatia**

Zlatko Bazianec  
zbazianec@deloittece.com

## **Denmark**

Tore Christian Jensen  
torejensen@deloitte.dk

## **Finland**

Mikko Vaara  
Mikko.Vaara@deloitte.fi

## **France**

Olivier Bonneau  
OBonneau@deloitte.fr

## **Germany**

Dr. Juergen Sandau  
jsandau@deloitte.de

## **India**

P. S. Easwaran  
pseaswaran@deloitte.com

## **Italy**

Umberto Mazzucco  
umazzucco@deloitte.it

## **Japan**

Kazuhiro Anse  
kanse@tohatsu.co.jp

## **Luxembourg**

Basil Sommerfeld  
bsommerfeld@deloitte.lu

## **Mexico**

Xavier Ordonez  
xordonez@deloittemx.com

## **Netherlands**

Lonneke Knipscheer  
LKnipscheer@deloitte.nl

## **Norway**

Karl Martin Karlsen  
kakarlsen@deloitte.no

## **Portugal**

Diogo Nuno Santos  
disantos@deloitte.pt

## **Russia**

Chris Armitage  
carmitage@deloitte.ru

## **South Africa**

Kavitha Prag  
kprag@deloitte.co.za

## **South Korea**

Sei Wook Kwon  
skwon@deloitte.com

## **Southeast Asia**

Terence Foo  
terencefoo@deloitte.com

## **Spain**

Vicente Segura  
vsegura@deloitte.es

## **Sweden**

Patrik Andersson  
paandersson@deloitte.se

## **Switzerland**

Bruno Pfeiffer  
bapfeiffer@deloitte.ch

## **United Kingdom**

Ian Washington  
iwashington@deloitte.co.uk

## **United States**

Adam Mussomeli  
amussomeli@deloitte.com



[www.deloitte.ca](http://www.deloitte.ca)

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