



Innovation



Leadership



Technology



Financial Insights

A blueprint for moving forward:

Lessons learned from COVID-19





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When Canadian COVID-19 cases started to climb in mid-March, many businesses were forced to do the unthinkable: physically close their doors. Never before had so many companies been required to swiftly adapt to a new—and unfamiliar—virtual environment. And no one knew what the future would hold.

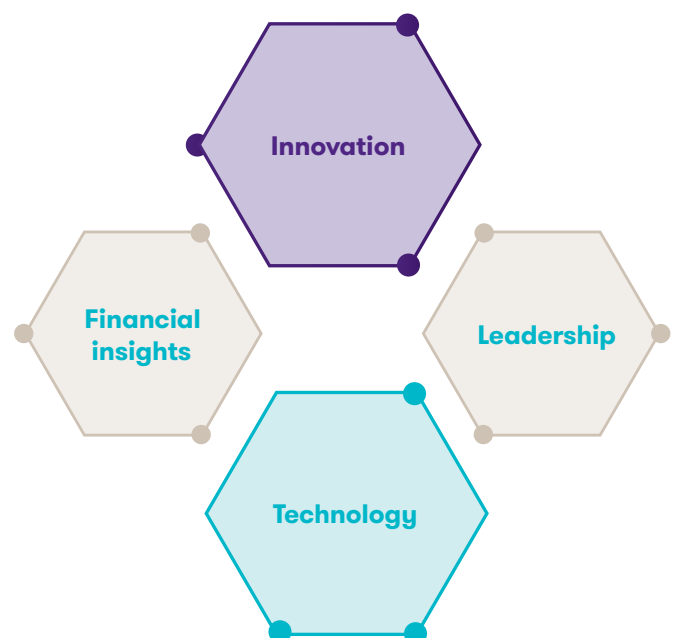
Hundreds of conversations and a series of virtual roundtables over the summer with Canadian business leaders about how they adapted their organizations to the new realities of COVID-19 revealed a surprising trend. Although numerous businesses found the abrupt economic shift incredibly challenging, a significant number managed to stay afloat—and, in many cases, to even thrive. This reinforced the results of the Grant Thornton International Business Report (IBR), which was based on research conducted between May 4 and June 19, 2020.

Results from the IBR, for instance, showed that more than 89 percent of Canadian respondents expected to be able to continue to trade or operate—and 28 percent said they could continue operating using only their existing funds, without cutting costs or restructuring. The rest acknowledged they required some level of cost-cutting or additional financial assistance to get by. This trend held true throughout the summer, as Canadian business leaders continued to worry about soft revenue and cash flow shortages.

Beyond these concerns, our client conversations highlighted several additional ongoing challenges. For instance, some companies struggled to meet unexpected increases in demand, while others wondered how to scale up operations in the future with a leaner team while also maintaining the efficiencies gained following the initial outbreak. With Canada's economy poised to continue its recovery and potentially expand by 6.7 percent next year,¹ some companies also reported taking an opportunistic approach to their future, with plans to seek out strategic acquisitions. As a result, these companies have faced challenges around how to finance expansion and access growth capital, and where and how to diversify.

Yet, despite these persistent concerns, many companies demonstrated that they were well positioned to weather the first global pandemic in over a century. This was in large part due to the fact that they had already started developing an agile business model before COVID-19 hit—focusing on things like crisis management, technology and organizational flexibility. It's these businesses that unquestionably had important lessons to share—lessons that could prove invaluable in the face of a second wave of COVID-19 infections or any other future global disaster.

To help other businesses prepare for the future, we decided to aggregate these learnings from both our virtual roundtable meetings and IBR results to develop a blueprint, of sorts, on how to navigate a crisis. As we explain below, the companies that managed to hold steady and, in some cases, even thrive over the past months were deeply committed to four key business areas:



¹ Advisor's Edge, August 24, 2020. "[A provincial outlook for Canada's economic recovery](#)," by Michelle Schriver.



Innovating to keep pace with change

The one commonality shared by every resilient company in our roundtable series and conversations with our clients, was having leaders and employees who showcased a willingness to accept change—and to think and conduct business differently in the face of it. When times got tough, these leaders took a step back, examined their existing processes, products and frameworks, and carefully evaluated which would work—and which wouldn't—in the new COVID-19 reality.

In this context, innovation wasn't limited to technology adoption. Some businesses used the downtime to foster customer goodwill and strengthen their brand, while others leveraged the opportunity to revamp their business model or develop new revenue streams. There are countless stories of brick-and-mortar retailers—like shoe stores and garden centres, for instance—that used COVID-19 as an opportunity to enter the e-commerce world. Doctors started offering virtual appointments. Professional sports teams found ways to play again, albeit without fans in the stands. And a growing number of restaurants started offering take-out and delivery options.

After seeing a significant dip in demand for marketing materials and print advertising, in the early days of the pandemic, one Alberta graphics company quickly pivoted to produce things that were in demand, such as face shields, sneeze guards and social distancing signs for hospitals and businesses. This shift allowed the company to continue generating revenue during a typically weak earnings cycle in a normal year, and thereby quickly bring their employees back to work.

The bottom line is that innovation doesn't have to be expensive or wide-sweeping—and it doesn't have to involve technology upgrades. Depending on the situation, small, incremental changes to your operations and processes can be just as effective. You can garner inspiration from your direct competitors, scale down some

of the innovative moves made by your favourite global brands or simply survey your customers to find out how you can serve them better. The key is to commit to moving forward, trying new things and being willing to pivot if the changes don't seem to be working or if circumstances change.

The path to resiliency: How to up your innovation game

The COVID-19 crisis forced businesses to rethink assumptions, make critical decisions and learn from the outcomes at an unprecedented pace. This required leaders to consider whether their organization's rate of learning and change was fast enough to create a competitive advantage. To remain relevant amid these new realities, organizations must embrace a mindset, culture and leadership style that prioritizes continuous learning, agility and innovation. Below are just a few ways to clear a path for innovation within your business:

- **Act, fail fast, learn and repeat.** You don't have to be 100 percent certain an idea is going to work before you test it. In times of crisis, acting quickly—even without all the facts—can make the difference between thriving and just surviving. Just be sure to learn as you go, rethink your assumptions and be ready to pivot quickly if the idea or action doesn't provide the results you were hoping for.
- **Pay close attention to your competitors.** In times of uncertainty, it can be helpful to see how others are tackling a situation. This is an opportunity to learn from their successes and missteps. While you don't have to take their specific path, becoming familiar with their path can help inform your own decisions when quick decisions are needed.
- **Diversify your train of thought.** Great ideas often come from fresh perspectives. Hiring someone from outside of your organization—or connecting with other business leaders—can be an excellent way to identify new opportunities and move past seemingly insurmountable roadblocks.
- **Build a continuous “learning loop”.** Regularly examining your business environment and your organization's strengths and weaknesses can help shed light into your key assumptions and identify opportunities to rethink outdated approaches. This can position you to develop plans around your priorities, align your business processes with your objectives and execute iteratively to create a continuous learning loop.

Maximizing your human capital

There's no question that a strong workforce can go a long way in successfully managing a crisis like COVID-19. Throughout this event, everyone—from employees, to managers, to executive leaders and boards—were asked to stretch beyond their comfort zones and adapt overnight to a new reality.

Some companies were able to do this more quickly than others, largely because they already had an agile workforce in place. Specifically, in most cases, these organizations had:



Visionary leadership. While the job description for CEOs has been evolving for years, COVID-19 cemented the notion that an empathetic, democratic leader is best equipped to handle a crisis. These types of leaders recognize that it's impossible to have all the answers, so they trust their team to help guide decisions. Similarly, they consider the human experience—the needs and wants of their employees, customers and suppliers—when deciding which path to take.

This culminates in a transparent leadership style—one built on clear and consistent communication, and a willingness to get things wrong (because they don't pretend to have all the answers). As such, they aren't afraid to take risks and are prepared to quickly pivot in the event of failure.

Adam Silver, commissioner of the National Basketball Association, amply demonstrated these traits when he suspended the league shortly after COVID-19 began its international spread—months before countries put quarantine measures into place.² New Zealand's Prime Minister, Jacinda Ardern, also showed decisive leadership by rapidly introducing a four-level COVID-19 alert system across the country, effectively allowing the country to lockdown quickly as cases rose. These transparent leadership styles not only helped people understand the situation as it was unfolding, but created a human context that allowed them—and those around them—to respond with empathy and compassion.



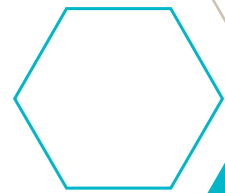
A flexible workforce. Many organizations were focused on becoming more agile before COVID-19 hit—and their workforces reflected that. Whether they were offering more work-from-home options, or experimenting with different work teams or collaboration arrangements, they hired people capable of adapting to new and varied situations. As a result, when their people were required to rapidly move to a 100 percent remote work environment during the pandemic, they were able to maintain—and, in some cases, increase—their productivity levels.



A commitment to leadership development. To be considered a strong leader today, you must have very different skillsets than those required in the past. Increasingly, agility, the ability to act quickly and a willingness to be vulnerable are becoming the hallmarks of authentic leadership. At the same time, it is becoming clear that organizational effectiveness hinges on a leader's ability to build trust across the management team. By following what is known as the Lencioni Model,³ it becomes possible to have open, transparent discussions about any issues that arise, gain commitment to better decisions and outcomes, drive accountability and ultimately empower the team to achieve organizational goals. To help leaders build these skills, many leading organizations have offered regular leadership training in recent years—a differentiator that meant their leaders were well-equipped to handle the fallout from a global pandemic.

² Harvard Business Review, April 13, 2020. [“What Good Leadership Looks Like During This Pandemic,”](#) by Michaela J. Kerrissey and Amy C. Edmondson.

³ “The Five Dysfunctions of a Team” by Patrick Lencioni, 2002, Wiley Imprint.



The path to resiliency: How to strengthen your leadership outcomes

If you'd like to become a more agile organization, a key place to start is with your people. There are things you can do to help your employees, managers and leaders become more comfortable with change—and better position themselves to weather a crisis. For instance, you can:

- **Encourage self-reflection.**

As a leader, there are likely areas where your team shines—and areas your team could improve upon. Consider the skills that are needed to succeed in a VUCA (volatile, uncertain, complex, ambiguous) world, and identify areas that may require further training.

- **Invest in regular skills training.**

Business is changing. To keep pace, regular skills assessments and training are not only nice-to-have—they're critical to success. Everyone, from employees to leadership, should have an opportunity to acquire the skills and knowledge necessary to thrive in a changing world. Professional training programs understand this and are adapting their offerings accordingly. For instance, many professional MBA programs now go beyond economics issues to help students integrate the content, the context and the process to their own organizational framework.⁴

- **Connect regularly with your team.**

Even those employees who are self-motivated enough to thrive in a virtual work environment require regular check-ins. Not only should leaders take steps to uncover how they can better support their staff, but these conversations can help leaders stay up-to-date on various issues and to proactively address them. For instance, regular employee check-ins can offer information into customer sentiments—or signal if additional mental health support services are required.

⁴ Raconteur. July 13, 2020 "[How COVID changed the CEO skillset](#)," by Chris Stokel-Walker.

Using technology to transform

The COVID-19 pandemic forced many organizations into involuntary digital transformations as they shifted to company-wide virtual work arrangements, transitioned in-person services online and reassessed the role technology played across the enterprise.

More than 45 percent of IBR respondents from Canada said that, post COVID-19, their business strategy had to be adjusted to include more technology and to make room for an accelerated digital transformation.

While virtually every organization was blindsided by the rapid pace of this change, some fared better than others. Businesses that fell into this camp—and were able to quickly pivot into a virtual setting—seemed to prioritize three fundamental practices:



They had a transformative leadership team.

You can't have a digital transformation unless your executive team understands where the organization needs to go and is willing to take steps to make it happen.



They put business strategy first.

Companies that were able to accelerate their digital transformation recognized that investment-worthy technology is that which enhances strong existing business processes and helps the organization reach its strategic goals.



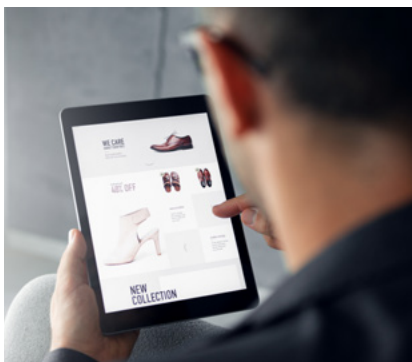
They sized up the competition.

When deciding on a tech direction, leading companies looked at the overall direction of the industry—as well as their direct competitors—to better understand the bigger picture and attempt to identify the technology investments that would have the greatest impact on their business.

This foundation made it easier for these businesses to create a resilient and agile digital strategy.



Tales of innovation



Jumping feet-first into e-commerce

When a traditional bricks-and-mortar shoe retailer saw its foot traffic grind to a halt mid-March as a result of COVID-19, it knew it needed to act fast if it wanted to keep its business afloat. A month later, it launched a brand new e-commerce site and, by mid-May, it had recaptured 50 percent of its revenue with significantly improved margins. According to the company's CEO, COVID-19 forced them to learn an important lesson:

“Don't allow your business model to stand still—invest in technology and understand how your customers' buying habits are changing and how to better serve them.”



A new approach to fundraising

Given COVID-19, the Junior Achievement of Northern Alberta and Northwest Territories organization was forced to approach their major fundraising events a little differently this year. Instead of a large in-person gala event, the organization hosted a Virtual Night Out, where paying guests received a catered charcuterie board delivered to their door. Guests also learned a card trick, had access to a virtual silent auction and listened to music by a local musician. By the end of the night, the charity had raised over \$50,000.



A viral sensation

When your entire business model is built around the in-person experience, “going virtual” isn't easy. But that didn't stop a Halifax-based gym from trying. In April, the company started running a 21-day fitness challenge via Zoom classes to non-members and members alike. All the company asked for was a donation—ideally, at least \$5—which it then used to buy gift cards at local businesses. The idea was to create a community-based support system for local small businesses affected by the pandemic. The program went viral, allowing the company to surpass its goal of \$5,000 and ultimately purchase \$65,000 in gift cards from 125 local businesses. At the end of the fitness challenge, they gave the gift cards to participants as prizes. Thanks to overwhelming client support and government funding, the company was also able to grow its team of fitness professionals to meet increasing demand.⁵

⁵ Business Voice Magazine, May 2020. [“Business as usual' has an entirely new meaning”](#) by Mina Atia.



The path to resiliency: How to create and implement a digital strategy

As you embark on a technological transformation, it's important to have a strong digital strategy in place. The goal behind such a strategy should be to:

- **Enhance how your people work.**
Technology works best when it either automates existing processes that are already efficient or creates internal efficiencies. For example, one paving company we spoke to began using videoconferencing at its head office. The move made it easier for site supervisors to attend meetings, because they could call in from the worksite, rather than having to leave the worksite to drive to the company's head office and then return to the worksite after the meeting was over. This move is one that will likely outlive the pandemic, as it resulted in increased internal efficiencies and bolstered productivity.
- **Improve customer interactions.**
The purpose of technology should be to enhance existing processes—either by satisfying a new customer need, offering improved business insights, or creating a new product or service offering.
- **Mitigate new and existing cyber risks.**
Greater reliance on technology also increases your exposure to cyber risk, which is why it's important to take a strategic approach to technology adoption. Taking the time to consult with IT security and risk professionals before adopting a new technology can help to expose any holes in your system and proactively prevent a cyber attack.

Approached effectively, a successful digital transformation should ultimately position an organization to meet evolving industry trends by strategically building new digital capabilities. With data properly organized and accessible across the organization, teams will be better equipped to enhance the customer experience and make more informed investment decisions. With the right leadership and strategy in place, businesses can also establish a mindset and culture capable of embracing change—positioning them to respond quickly to both internal and external shifts.



Unlocking financial insights

Given the current level of market uncertainty, financial modelling has become increasingly important in helping organizations unlock the financial insights needed to make critical business decisions. However, effective financial modelling is usually an extensive exercise, and for those organizations that do not have adequate resources, it can be particularly challenging.

Leadership's ability to respond to an event of this magnitude is severely impaired if they're merely reviewing last year's results, adjusting for growth and dividing by 12 to arrive at a monthly forecast. In a crisis, critical decisions have to be made weekly, and sometimes daily, to allow an organization to navigate a path forward. Higher quality data and stronger financial insights allow your leadership team to make more informed and effective decisions, when time is of the essence.

To gain access to these robust financial insights, therefore, it's critical to implement more advanced financial forecasting models—with features like built-in sensitivity analysis, comprehensive dashboards and the ability to quickly update information as it changes. Such models not only make it easier to access relevant financial information quickly, but can also help companies develop the detailed forecasting that lenders are increasingly demanding.

Case study:

A tale of two financial forecasting models

When COVID-19 hit, Company A opted to continue basing its decisions on its traditional financial model, believing it had a good enough understanding of its financial situation to weather whatever storm COVID-19 had in store for it. Company B, meanwhile, decided to revamp its financial modelling approach and completed a detailed 26-week cash flow model.

Thanks to Company B's detailed model, their leadership team was able to anticipate a significant revenue drop, which would result in a significant cash flow decline as early as July. This allowed the company to think outside the box and develop a new revenue stream, which was scheduled to come online around the same time. It also allowed the company to proactively set the wheels in motion for additional financing from its lender. Management was even able to facilitate the discussions with their lender by providing a snapshot of the forecast model to support their financing needs and their ability to recover.

During this same period, Company A, using their existing financing model, did not foresee a dip in cash flow and was caught by surprise when it occurred in June—something the leadership team was later able to attribute to a drop in sales and a slowdown in receivables in May. Caught somewhat off guard, the negative cash flow situation sent the company

into a panic, as it struggled to balance its day-to-day operating cash flows with its regular debt payments.

While both companies approached their lenders for help, the lender responses were very different. Because Company B was able to prove, through its detailed cash flow model, that its cash flow shortage was not only temporary, but that it had a plan to ensure long-term sustainability, it was able to obtain the additional financing it required. Company A, on the other hand, ended up making a choice to prioritize its operating costs over its loan payments, eventually forcing the lender to transfer the account to its special loans division. When Company A finally went to the bank requesting additional financing at the eleventh hour, the bank decided to decline. Company A had to search for alternative lenders to cover the gap.

In addition to outlining the importance of being proactive in a crisis, this story underscores a growing reliance on continuous financial modelling as a best practice. There are often multiple actions that can be taken in advance to help reduce a decline, or to counteract it, both in a crisis scenario and as a result of unexpected slowdowns or increases in demand. In our experience, today is always the right time to improve your financial modelling to provide better information, which will allow your leadership team to make the right decisions at the right time.



The path to resiliency: The fundamentals of sound financial forecasting

If you've been having difficulty predicting future sales and cash flow requirements, there are things you can do to enhance your view of the financial picture:

- **Model a number of different scenarios.**
In this COVID-19 world, anything can happen and you need to be prepared. Not only should you build multiple scenarios to cover a variety of potential situations, but also make sure those models are regularly updated—because, as we've seen, things can change fast.
- **Revisit your original budgets and forecasts.**
Regardless of whether COVID-19 has made your business busier than ever or has had a catastrophic effect, you need to be willing and able to reforecast, possibly even weekly if things are rapidly changing, to give business leaders the information they need to make informed decisions in-the-moment.
- **Strengthen your existing financial practices.**
To thrive in a crisis, you need to be able to quickly make sound financial decisions. Now may be the time to re-examine your financial modelling and cash flow processes, and potentially invest in new tools—such as upgraded financial models or even an ERP upgrade—to ensure you have the clearest view possible of your financial picture.
- **Stay close to customers to better understand future demand.**
As customers' willingness to purchase shifts in response to changes in the marketplace, it's important to keep your finger on the pulse of evolving demand dynamics. By having regular conversations with your customers, and by using tools to forecast expected revenues and sales, it will become easier to identify potential cash flow issues or an inability to meet demand down the road—or even to devise alternative product or service offerings your customers could benefit from.



Over
35%

Canadian IBR respondents said they were considering different scenarios for the scale-up of their company's operations.



Over
41%

of IBR respondents revised their annual budget due to COVID-19 and/or postponed or cancelled new investments.

Finding the way forward

It goes without saying that, in these unprecedented times, “business as usual” no longer exists. Yet, as we’ve seen from the IBR, our roundtable discussions and countless conversations with Grant Thornton clients, it is possible to move forward in this new normal—by prioritizing agility, learning from other business leaders and being willing to embrace uncertainty.

That said, if you’re having difficulty in this new era, rest assured you’re not alone. If you’d like a fresh set of eyes or a more experienced hand to provide you with some guidance along the way, it may be a good time to strengthen your internal team or to reach out for external support.

At Grant Thornton, we have helped countless companies thrive in the face of uncertainty—and many of those lessons apply today. If you’d like to discuss your challenges with a Grant Thornton advisor or you need help identifying new opportunities in today’s marketplace, please don’t hesitate to reach out. We’re here for you.



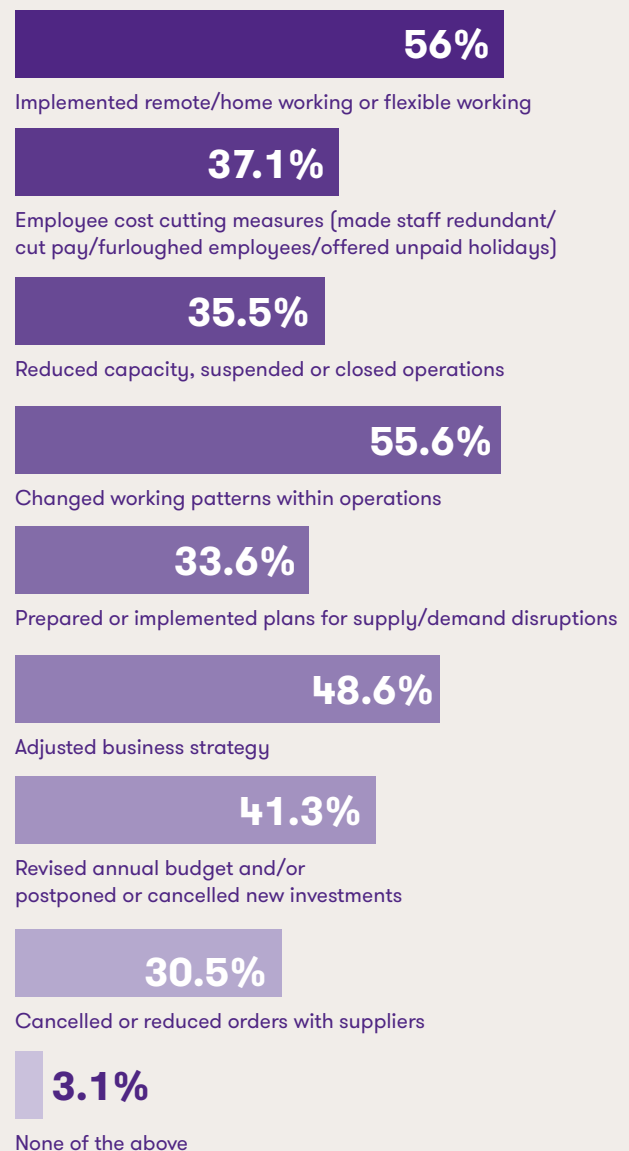
Survey says...

The Grant Thornton IBR is a survey of more than 10,000 mid-market businesses across more than 30 economies.

Twice a year, phone interviews are conducted with CEOs, Managing Directors, Chairpersons and other senior executives from companies across all industry sectors. Data specific to COVID-19 resiliency was gathered between May 4 and June 19, 2020—and included responses from over 250 Canadian mid-market business leaders.

The following are a selection of responses to a few of the questions from the IBR survey. These demonstrate some of the ways businesses adapted and plan to adapt in an uncertain and changing landscape.

Which of the following actions has your business taken or planned to take to deal with the impact of COVID-19?





In preparation for the recovery of your markets, have you started to plan for any of the following?



What areas of your business strategy, if any, do you think will need to change after the COVID-19 crisis?





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