CORPORATE
LESSONS LEARNED
FROM COVID-19

— THOUGHT LEADERSHIP
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Businesses are experiencing unprecedented challenges and, in some cases, new opportunities as a result of the Covid-19 pandemic. Resourcefulness, dexterity and tenacity are crucial for those who will come out of the crisis in good shape. In this extract from a recent client webinar, General Counsel from leading organisations that are facing change and embracing it, together with Clifford Chance experts, share lessons they are learning during these very challenging times.

Dealing with the onset of the pandemic

Informa, which hosts international events, from which two thirds of its revenue is derived, and global alcoholic drinks company, Diageo, operate in sectors that were hit hard in the early stages of the Covid-19 crisis in China in early 2020. Rupert Hopley, Informa’s General Counsel and Company Secretary says: “As we realised that this was not just a localised issue in China or even Asia, we had to move quickly to establish a strong footing for us as an organisation, to work out what we were going to do and how we were going to react in many different markets, under different legislation and under different local authority guidance, to do what was best for our customers, our colleagues and the business itself.”

Diageo, is heavily reliant on the hospitality sector – hotels and bars and restaurants – for the consumption of its products, and as Siobhán Moriarty, its General Counsel and Company Secretary explains, the company’s implementation of crisis management started in Asia and then moved across the globe like a “Mexican wave.”

Even businesses which consumers turned to in lockdown, such as food deliveries, were hit hard initially as Andreas Krause of Berlin-based Delivery Hero explains: “At the beginning of the crisis, some countries - predominantly in the Middle East - decided to close restaurants even for delivery and in this respect, revenues dropped. But then once such strict lockdowns were lifted, as well as in countries with lighter lockdowns, our service was highly sought after: Online delivery grew and became the only way in which restaurants could make any sales and continue to serve their customers; while for customers, online delivery provided a very high level of safety and convenience.”

The role of crisis planning

Whilst many organisations have a crisis plan in place, Covid-19 tested those plans to their limits. Rupert Hopley says Informa had planned for the possibility of a pandemic, “but the practical reality of the scale and the speed with which it took hold, was far greater than anyone could have anticipated.” He says that dealing with different jurisdictions, different levels of engagement and different prioritisation by local governments was challenging, and that the company had to create an adaptable plan that could be used locally, especially on the operational side, to help colleagues, customers and suppliers. At a group level, it focused on creating financial stability to ensure that the company was secure for 2021 and beyond. “We raised £1 billion of equity and restructured our debt, making sure that we had sufficient facilities in place. We moved quickly and I think we were a couple of weeks ahead of other companies that needed to raise funds. The biggest challenge was making decisions in a fast moving environment, with constantly changing information but knew we had to make critical decisions in an imperfect world,” he says.

Clifford Chance’s Caroline Firstbrook says that the Firm learned a great deal from colleagues who had been working from home in Hong Kong from the Autumn of 2019, due to political protests. That created a template that eventually all the
other regions followed. “They said figure out how we are all going to work from home, who has got the equipment, who can’t work from home, who has connection problems. We had to work out how you sign documents, how you carry out processes that had always been run on paper, how to get laptops to people in India who don’t have them when nobody’s allowed to leave their buildings, what do you do with power supplies in places where we don’t have secure power supplies? There was a huge amount of work and we just had to make decisions really quickly."

Before the pandemic struck, Diageo carried out regular crisis management simulations, but they tended to focus on a single issue – a product recall, or a data privacy/cyber incident, but as Siobhán Moriarty explains: “I think it’s probably fair to say that even though the issue of pandemics was buried in the fine print, we weren’t ready for something of this scale. We had to learn on the job and know that you were never going to have a full set of facts. You have to be comfortable with ambiguity.” The company’s first priority was the safety of its people, so that everybody who could work from home did so and that its production facilities could continue to operate in a safe, socially distanced way.

“The third priority was to preserve liquidity, because liquidity was going to be really important for the company, as we didn’t know whether we would be able to collect cash from customers and give extended credit to suppliers who might really be struggling,” she says.

Once those issues had been addressed the company looked at ways in which it could help the efforts against Covid-19. It used its alcohol to produce 10 million bottles of hand sanitiser for people who were working in the health service. “We are now doing some further forward thinking to see what we can do to help the hospitality sector get back on its feet,” she says, and adds that new opportunities have arisen as Diageo’s customers adapt to the new environment: “A bar can deliver a premium cocktail to your home, for example, so we are working with our customers to create new opportunities in what is a very challenging time.”

Delivery Hero has also sought new opportunities during the pandemic as Andreas Krause explains: “We accelerated the onboarding of new restaurant partners as well as our rollout of new verticals. That means we increasingly worked with grocery stores, pharmacies and other local shops in order to support people ordering household items for their daily needs.”

The role of the legal team

“During the Covid-19 crisis the role of the legal function expanded and appears to have had greater influence,” says Clifford Chance Partner, Melissa Fogarty.

It’s a view shared by Rupert Hopley, who says: “We’ve time and again proved our worth and are part of the contribution around idea formulation, strategy and then the execution. In a crisis, lawyers are the people that others reach for because we can provide confidence around decision-making.”

And that decision-making has often been made at greater speed as Clifford Chance’s Caroline Firstbrook says: “I’d like to think that we will stick to this. We’ve discovered it is easier to bring a dispersed group of people together, have a really high-quality conversation and make a decision, and then move forward on it.”

Andreas Krause says that the disruption caused by Covid-19 has meant that organisations are now better at mastering change. “I think people are also less afraid of change in general, and maybe even more receptive and open to change, so decisions can be taken faster and they may be braver.”

The switch to remote working

As Covid-19 took hold, many businesses switched almost entirely to remote working. Caroline Firstbrook of Clifford Chance says that staff, many of whom had never worked from home, adapted very quickly. “The discovery that you could have a meeting that involved people from multiple different offices bringing together a team from around the world, and that nobody had to travel or get on a plane, has been a real
revelation.” Informa’s Rupert Hopley agrees that remote working is convenient, efficient and saves on commuting time, but he adds that there are concerns about the mental health and welfare of employees and the difficulties experienced by some, such as staff who live in shared housing and may not have the right conditions in which to work. And Diageo’s Siobhán Moriarty says that remote working has had an impact on creativity. “The marketing and innovation people who come up with ideas as a group in the room, find it much more difficult to do that remotely.” Melissa Fogarty of Clifford Chance says that in the first wave of Covid-19 “everyone was in survival mode, but now there is a growing recognition that we all need to look out for each other.” She adds that remote working is particularly difficult for new joiners and trainees. “It’s easy to forget how foreign a feeling it can be to join an organisation, particularly if you can’t speak face to face with your colleagues. It’s challenging.”

There has also been a disparity in the impact on working women with children during the crisis. Siobhán Moriarty says that research from McKinsey shows that women do a “double-double shift, managing work and childcare.” And she adds: “We don’t know what the longer term consequences of this are going to be, and I think employers are going to need to be very mindful that they don’t inadvertently create a situation where the huge progress that has been made on gender diversity is set back.” She says that in the U.S. businesses owned by minorities, particularly African Americans, have suffered disproportionately throughout the pandemic. “Our efforts to try to support hospitality businesses is actually focused on minority and African American communities in particular, because they need the biggest level of support.”

The future of the workplace

The huge expansion in remote working will have long-term consequences, says Caroline Firstbrook. “I think we will have some big questions to ask about whether we need the amount of expensive city centre real estate that we currently have, when people either want to continue to work from home or more flexibly.” She adds that during the pandemic people understood that remote support works. “You don’t need to be helped by someone sitting at a desk down the hall, you can actually be helped by someone who is sitting in another country and that gives us the licence to really start to accelerate some of our operating models and take advantage of lower salaries, but also better talent pools.”

She adds that while remote working has been a success, a survey of Clifford Chance staff shows that people want a mixture of home and office-based time. “Many people say, ‘I would like to carry on working two or three days a week from home,’ but very few people say I’d like to work from home permanently.”

Rupert Hopley of Informa says that the company will be reducing its footprint “because it is just an inherent cost that we don’t need.” But he says that it is important to ensure that remote working is balanced between remote working and meeting face to face. “We are a social species and I still think we’ll want to get together, and people will need it,” he says.

Diego’s Siobhán Moriarty agrees and says that people are tired of being constrained. “There is a pent-up appetite to get back out into the world again. We will probably get a more balanced life between critical events when you do need to be there face to face and those you don’t.”