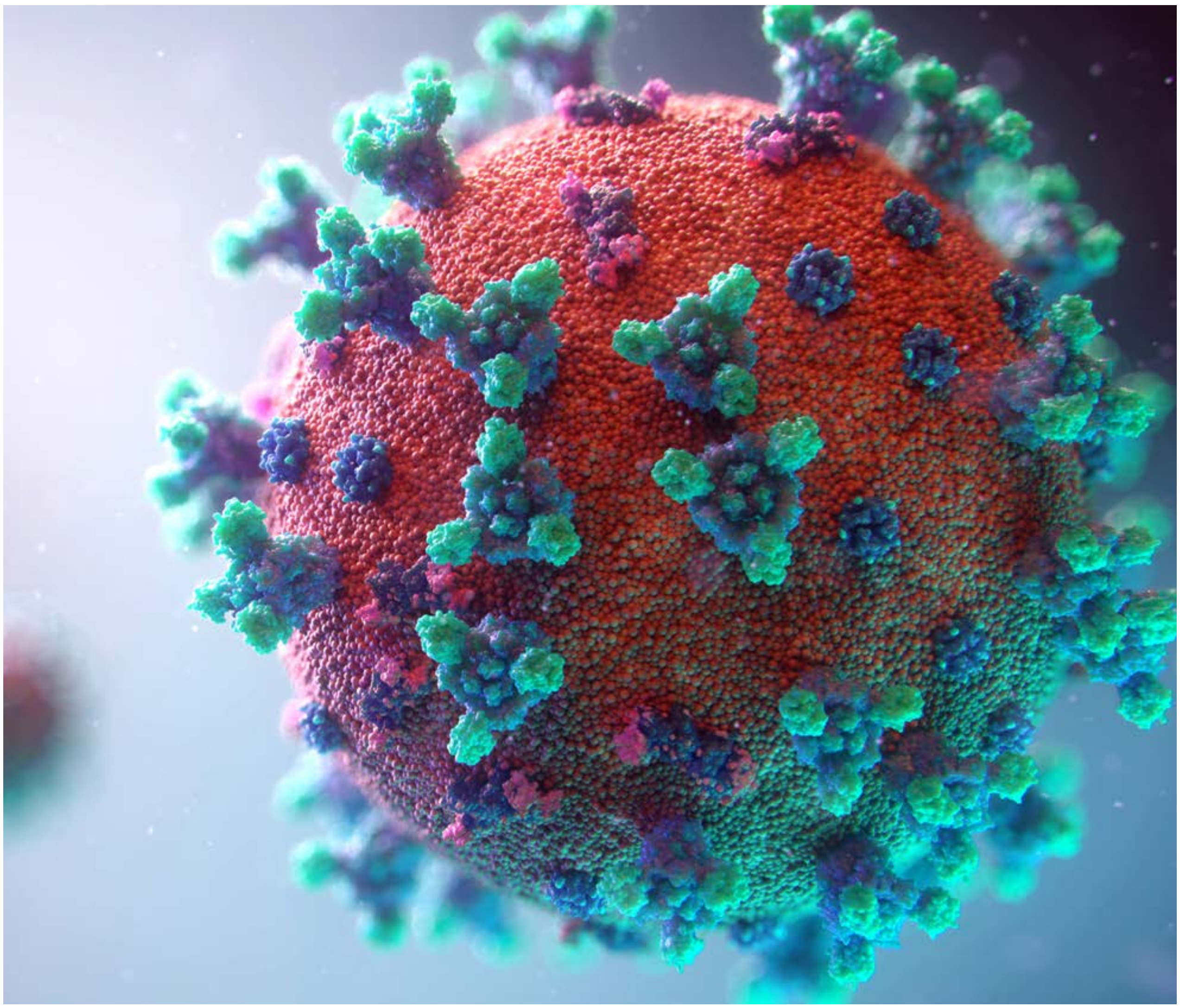
# Reimagining the Workplace: Managing COVID-19 Risks



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# INTRODUCTION

Over the past few months, the COVID-19 pandemic has presented unprecedented risks to people, businesses, and economies. Across the country, businesses and governments find themselves in various stages of reopening and facing many questions about what the future will look like.

Protecting the health and wellbeing of employees and customers is top of mind for companies as they implement new operational and revenue generation models. The situation remains fluid as some areas experience new surges in infections, and all are on the watch for a potential broad-based second wave. Organizations should remain nimble as they adapt their risk management and risk financing strategies in response to new, everchanging risk profiles.

Throughout the pandemic, Brink News has published dozens of articles from experts in areas including public health, the economy, and workforce risks. We have highlighted a select few of the recent Brink articles with advice and opinions from Marsh, Oliver Wyman, Mercer, and experts from outside of MMC. We think you'll find them a useful companion to Marsh's Employer's Guide to Returning to the Workplace.

For more insights, please visit Marsh's COVID-19 resource hub or contact your Marsh representative.

# COVID-19 AND THE ILLUSION OF CONTROL: WHY YOU NEED TO PLAN FOR A SECOND WAVE NOW

**Allison Pan**
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The COVID-19 crisis has exceeded resiliency mechanisms the world over, while it also shifted thinking, as seen in the widespread recognition that it caught everyone unprepared. Although some companies had "pandemic" on their risk register, they never really thought about it, defined it or exercised it in drills or war games.

Senior leaders now have a heightened understanding of pandemic risk. However, the problems it has wrought are overwhelming. Businesses are caught up in recovery, return to market and balance sheet protection — in other words, survival. Most are not preparing for a second wave or the next pandemic. Companies need to be agile, but agility is not easily achieved, especially in organizations that have not examined why they were caught unawares or prepared for the next catastrophic risk.

## RUSH TO RECOVERY RISKS BLINDSPOTS

As they reopen, businesses also need to prepare for the possibility of future trouble. The degree of uncertainty businesses face now is almost as great as it was eight to 10 weeks ago. COVID-19 opened our eyes to new considerations, for example, the need to expand the definition of high-risk employees to include those with high-risk individuals in their household or close contacts.

We have learned and overcome so much in our collective responses to COVID-19 that there is now a sense of comfort as we embark on "recovery." But that comfort stems from an illusion of control. As business leaders rush to reopen, or states lift restrictions despite rising case counts, it is important to understand all the potential pitfalls of recovery. With so much focus on immediate steps necessary to reopen and to begin scaling operations, many companies are not asking questions about the long term: What is my risk profile in this new environment? How has it changed? Will the assumptions I made yesterday hold tomorrow?

## FORECASTING THE SECOND WAVE

In the immediate- to mid-term, companies should be preparing for a possible second wave of infection, either in the U.S. or globally. As political appetite for sustained restrictions wanes, companies may be forced to make difficult decisions, including slowing their reopening plans, or even shutting back down. Fears about the pandemic may also heighten absenteeism, creating workforce barriers to reopening.

Resiliency through times of uncertainty requires that, rather than waiting for conditions to worsen, companies should build operational and strategic agility into daily operations. Critical to agility is anticipation — the ability to forecast future operating conditions. Companies don't need to be fortune tellers, but they do need to constantly envision various risk scenarios and build game plans to address those myriad situations.

At its core, strategic risk forecasting is no different from other forward-looking exercises, such as contemplating an M&A transaction. In that instance, a company would need to assess that transaction against different assumptions and possible outcomes: What if the M&A is successful? What if integration goes poorly? What are the risks and upsides in different situations? Such exercises are common in financial stress-testing yet rarely applied more broadly to risk management across the enterprise.

Consider a hypothetical scenario surrounding a second wave of COVID-19, using a financial stress-test approach. The list of questions will vary based on each company's situation, but the broader strokes include:

- What will it mean for my company if the second wave starts in October versus starting in January?
- What if the U.S. experiences the second wave before other geographies, receiving less warning and lead time than we did with the first wave?
- What if we have 90 days — instead of 180 — to understand the potential effects and scale operations?

Organizations need to widen their definition of what risks are, and risk professionals need to consider what they have overlooked.

- How do workforce impacts vary under different timeline scenarios?
- How will it affect my B2B relationships from a downstream perspective?
- What are the conditions that would necessitate slowing down our reopening or contemplating shutting back down?

Understanding different scenarios will allow companies to begin modeling financial impacts and make decisions around the way they allocate risk resources or risk capital. For instance, if India or another country central to your supply chain were to experience a sustained surge, the impact may be significant, perhaps crippling. Are you planning for that?

While this is done regularly with operating and capital expenditures, many companies are not taking the same approach to strategic risks like the pandemic. One reason is that companies often are not creative in how they approach the question of what constitutes risk. Companies have traditionally understood workforce risk as a direct employee risk; a pandemic forces them to contemplate the broader communities in which employees live.

Organizations need to widen their definition of what risks are. Rather than focus on the traditional "bubbles" on a risk register heat map — such as property and casualty risks — risk professionals need to consider what they have overlooked. This includes risk areas not previously imagined and the "grey space" between individual risk topics where risks may converge, be interdependent or become greater than the sum of their parts.

The biggest lesson learned from the past three months is the need to build risk forecasts that account for even previously unimaginable events. Yet many organizations continue to look at risk in a discrete and reactive way.

## THE "NEW NORMAL" MEANS MORE THAN MASKS

Building agility, entrenching resiliency, and embarking on risk forecasting exercises require expenditures of time and capital, both human and financial. In many ways, agility — the ability to anticipate and preposition resources to proactively adjust to changing conditions — is the counter to efficiency. Considering that so much of the global economy, especially in the last 25 years, has focused on maximizing efficiency through just-in-time delivery, it is not surprising that so many organizations lacked the resiliency to absorb the shocks that COVID-19 created.

Just as we all recognize that our personal post-COVID-19 lives will be quite different, companies must evaluate whether they can afford to return to old risk management practices. Having so viscerally experienced exogenous shock in the last several months, business must now redefine what materiality means in terms of risk. They need to develop metrics that allow them to make the right measurements. For example, measuring risk aggregation and interdependencies across the value chain can help companies understand the degree of contingent business interruption risk they face. Resilience metrics can help determine how much stress an organization can withstand at individual points in the value chain. Early warning, crisis event metrics can help organizations navigate the initial days of a crisis. Agile use of data means that when data indicates a problem, such as a growing second wave, preplanned decisions can lead to swift action.

How well organizations respond to COVID-19 today, not simply by surviving but by *thriving*, will define how they survive the next great systemic shock.

# THREE KEY CONSIDERATIONS FOR POST-PANDEMIC SITE RELOCATION

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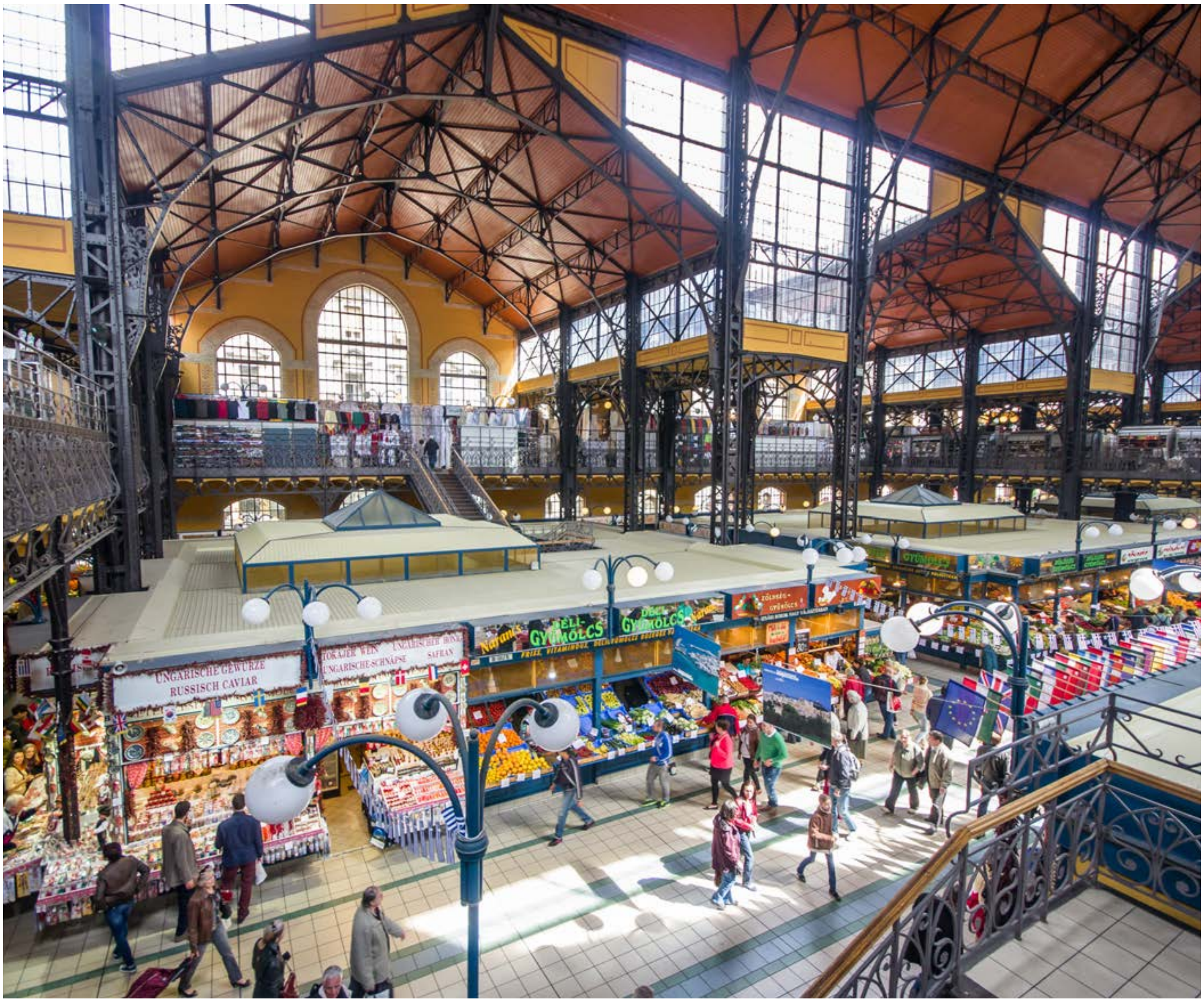


Cost is no longer the most important aspect of supply chain site selection.

The COVID-19 outbreak has been an ugly shock to the system for global manufacturers. Though experts have been warning about the risk of globally dispersed supply chains for years, few companies were truly prepared for the pandemic. Ultimately, companies with local or diversified supply chains have been most able to mitigate the impact. Others have been caught flat-footed. The majority (75%) of companies surveyed by the Institute for Supply Management said they have experienced disruption, and four out of 10 (44%) said they had no plan in place to address supply disruptions from China.

Across industries, there are new and urgent conversations happening in boardrooms around how to improve mid-term resilience, and among manufacturers about whether to relocate plants — away from China in many cases — and how to put into place contingency labor and production plans that can survive future disruptions. Leaders, trying to wring some clarity from the chaos, are considering ideas for the reinvention phase of the pandemic response that can mitigate the impact of future black swan events.

Manufacturers will ultimately have to choose between two extremes: not doing anything — and hoping this will never happen again — or making investments in mapping and relocating supply networks to be better prepared if or when future disruptions occur.

## SHIFTING SUPPLY CHAINS

Of course, betting only on option one is a risky gamble. According to a Thomas survey, 31% of respondents are turning down or delaying orders. Twenty-eight percent said they were looking for alternative suppliers internationally, and another 28% said they were looking for new suppliers domestically. Any company that fails to protect its production will be at risk of losing future contracts and existing customers.

For example, if a pharmaceutical company locates all of its plants for a key medication in the Philippines and that country is subsequently hit by a catastrophic typhoon, it could knock out all manufacturing of the drug, leading to liability, loss of business and even loss of customers' lives. However, if that company had already diversified and located even a portion of its facilities closer to home, it would have the ability to shift production and potentially avoid a shortfall.

This same scenario can repeat itself in disruptions of supplies for original manufacturer components or consumer goods. While the threat may not be life or death, it could be existential for manufacturers who are unable to resolve off-shoring risks. More than 80% of fashion brands have said they already planned to reduce sourcing from China, and many companies are reacting similarly to Wistron Corporation, an iPhone assembler that recently told analysts it plans to locate 50% of its capacity outside of China by 2021.

## PRIORITIZING SITE RESILIENCE

Vital industries, such as pharmaceuticals or medical supplies, may have no choice but to diversify production. There is mounting public pressure in the United States to move essential production of pharmaceuticals and medical equipment closer to home, with several bipartisan bills already in play. Japan has also made moves in this direction, putting $2.2 billion of its COVID-19 economic stimulus package into supporting manufacturers who shift production outside of China.

For many companies, this will mean a combination of possible solutions such as opening new, additional plants closer to consumers; expanding current plants in more favorable locations; closing existing plants and re-opening in a new location; and deprioritizing cost as the main factor in site selection — in favor of resilience.

Once a decision is made to move near-shore, one of the first questions will be, "Where should we locate?" Prior to COVID-19, Mercer's site selection was typically based on these three criteria: cost of the labor force, cost of real estate and regulatory burden, and proximity to the existing supply chain.

## COST IS NOT OVERRIDING CONCERN

The convergence of cheap and plentiful labor with a low overall cost of doing business is how so many plants ended up in East Asia over the past decades. However, site cost can no longer be the only driver with the risk of disruption being as high as it is today.

In the post-COVID-19 world, what are the primary considerations a company should consider in choosing a location? There are three main considerations companies will likely prioritize: labor market, cost and ecosystem.

The labor market, or quality and composition of the workforce, should always come first. Companies should enhance their focus on workforce and labor planning, taking the time to thoroughly explore talent availability and labor quality in the areas under consideration.

Secondly, cost is not going to disappear as a critical component of this decision. Companies will be considering the comparative impact of labor costs — and other considerations like incentives and taxes — for each potential site.

And the last factor that will significantly grow in importance in the post-COVID-19 manufacturing world will be the ecosystem that provides structure and resilience to each potential plant, including infrastructure, community attractiveness, business climate and potential risks incumbent upon the available choices. How this ecosystem provides resilience in the face of shocks like COVID-19 will be of utmost importance.

In the post-COVID-19 world, a company should consider three topics when choosing a location: labor market, cost and ecosystem.

# HOW COMPANIES CAN APPROACH RECRUITING DURING CORONAVIRUS

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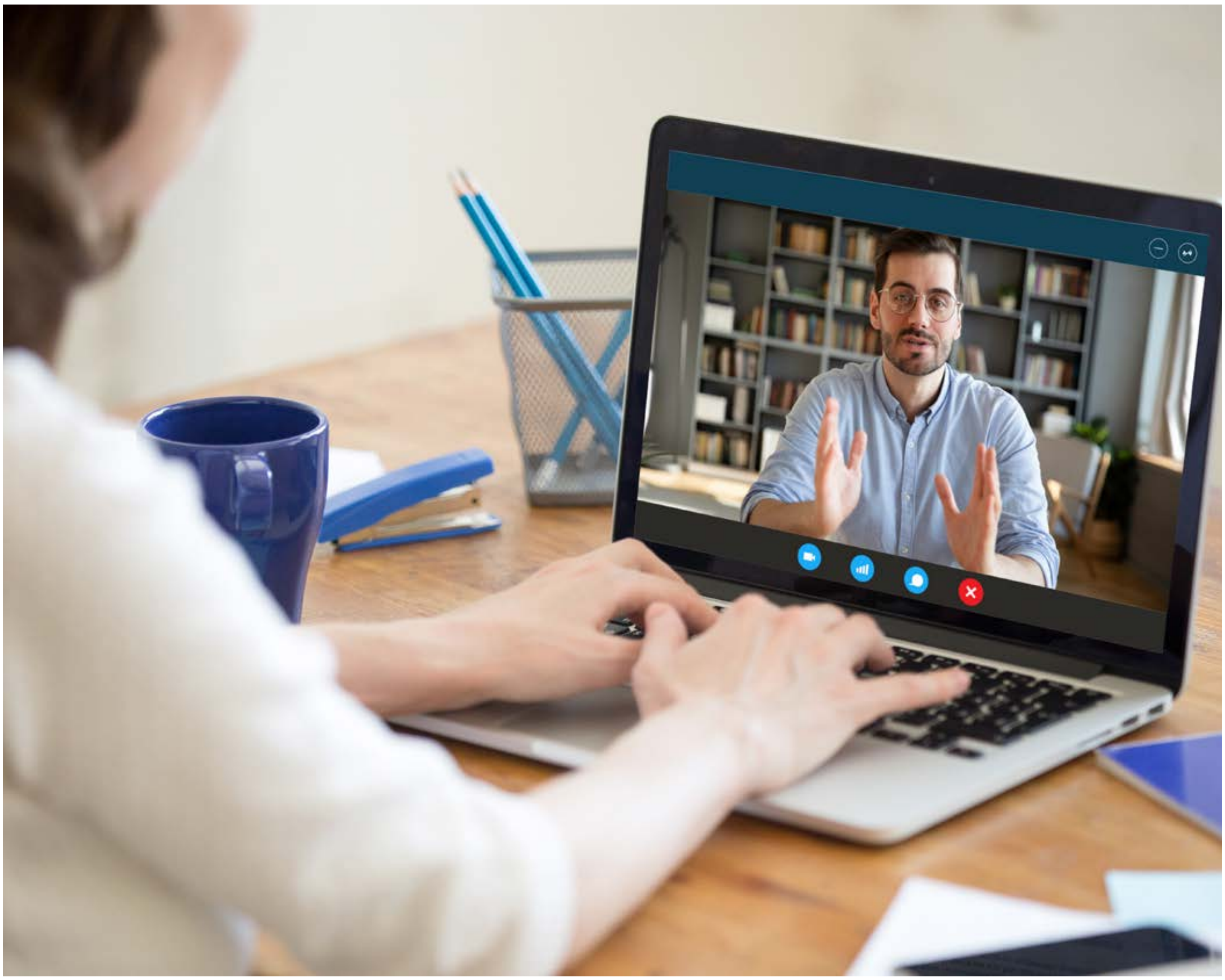

While the coronavirus has wreaked havoc on many industries by forcing them to downsize their workforces, others are seeing the reverse effect. Health care, food and pharmacy retail and supply chain industries — jobs that are absolutely essential in this crisis — are still hiring by the thousands.

Amazon, which has seen a surge in orders as people are forced to stay home, plans to hire 100,000 new distribution workers to meet the rising demand. In the health care sector, GE released a statement calling for warehouse workers to help build medical devices such as ventilators to combat COVID-19.

Hiring in the midst of such a crisis is no easy matter. Stay-at-home policies and social distancing have made it a challenge to find candidates to fill the necessary positions to keep companies afloat. These companies are forced to pivot how they handle their hiring processes to navigate these tricky times.

Here are some best practices for successful recruiting during the pandemic.

## TAKE ADVANTAGE OF DIGITAL HIRING AND COLLABORATION

There's no doubt that now is the time to invest in an automated, "touch-free" recruitment solution. These capabilities can keep your hiring funnel firing on all cylinders during the crisis and beyond.

For companies ready to transition, innovative software can seamlessly drive the remote recruitment process end-to-end, including chatbot engagement, online assessments, automated scheduling and video interviewing. For smaller companies that are just getting started, a limited or free video-conferencing solution such as Zoom, Skype or Google Hangouts can help you conduct interviews. Microsoft is even offering a subscription to Teams for free during this crisis to help businesses meet live and collaborate.

During the crisis, it's potentially even easier to access recruits because nearly everyone is at home. You never know who might be looking for a new job, and with nearly the entire nation stuck at home, companies are much more likely to reach potential recruits while they practice isolation.

## VIRTUAL JOB FAIRS

Virtual job fairs are a good opportunity to find applicants as well. Using an online communication application, companies can host a series of potential recruits and answer any questions they may have about the opportunity, just as they would in a typical job fair. Pharmacy chain CVS is one such company that is currently recruiting through virtual job fairs, virtual interviews and virtual job tryouts.

LinkedIn is even making its job-posting tools free for all essential businesses during the coronavirus. With a 55% increase in the number of applicants on the site, LinkedIn hopes to quickly connect candidates with companies on the front line.

## LEND A HAND TO THOSE OUT OF WORK

Unemployment rates have already reached unprecedented levels across the United States, with 22 million Americans filing for unemployment as of mid-April. With so many people out of work, a good strategy to fill open positions is to target this group of people.

The health care industry is already doing this: Hospitals are hiring retired doctors and nurses and medical students to fill the massive shortage created by the coronavirus. There are many out-of-work school nurses who are able to quickly help out at hospitals without much extra training.

Grocery chains are doing something similar by reaching out to people who recently were let go. Albertsons is working with furloughed workers from hospitality and food service industries — two of the hardest hit by the current crisis — to fill many open short-term roles, as everyone still needs to buy food and essential home goods.

Furthermore, there are currently thousands of workers in the gig economy struggling to find work as well, especially in ride-hailing applications such as Uber and Lyft. These out-of-work freelancers can also be targeted by industries that are looking to hire more employees.

While it's important for companies to get new employees up and running quickly, they shouldn't sacrifice the safety of their existing workforce in the process.

## SAFETY IS PARAMOUNT

While it's important for companies to get new employees up and running quickly, they shouldn't sacrifice the safety of their existing workforce in the process. The safety of current employees is important, and companies need to protect their health as much as they need to move quickly to recruit new staff.

Companies should vet all new employees to make sure they are at a low risk of having contracted the virus. If it turns out they're high risk, they may need to self-quarantine. Remember: safety over speed. As an example, many health care companies are promoting remote screening methods for new workers. By doing this process remotely, companies limit the risk of exposure to everyone while still being able to properly assess a candidate for a position.

## SCREENING BY PHONE

Another good example of this is Lineage Logistics, a refrigerated warehousing company. Due to a 30% increase in demand over the past few weeks, the company put out a call for 2,000 additional workers.

To minimize risk, Lineage Logistics has started to screen applicants over the phone, asking in-depth questions about their particular risk profile. If applicants have been to any coronavirus hotspots, experienced any symptoms or been in contact with anyone who may be sick, they know before coming into contact with them.

For most of us, 2020 still promises to be an exciting new beginning to a new decade; but first, we have to beat coronavirus together. Essential health care, grocery and public sector businesses are critical to keeping our society safe and moving forward during this crisis.

We need them, and they need employees. It's important that they are able to easily and effectively do their jobs. It's the only way we can get through this unprecedented crisis intact.

# NOW IS THE TIME TO RETHINK AI, AUTOMATION AND EMPLOYEE RIGHTS

**Mona Sloane**
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The COVID-19 pandemic prompts us to rethink what is considered high- or low-skill work. Whose skills, whose labor and whose hours, exactly, are of value to society? What and who do we value and deem essential, and how do we compensate these workers (e.g., care work or teaching)?

These questions are particularly pertinent in the context of artificial intelligence and automation.

## THE RUSH FOR AI

We are seeing AI technologies increasingly deployed across many parts of society. They are embedded into loan decisions, insurance policy decisions, government services like benefit distribution, spam-folder and auto-correct software, education, search engines and web recommendations, autonomous driving, navigation, precision medicine, policing, security and surveillance, immigration enforcement, military, supply chain management, industry and production and much more.

Around the globe, governments are rushing to mobilize vast amounts of capital to invest into AI innovation. This is often tied to the narrative of AI being central for the Fourth Industrial Revolution. A bulging landscape of national AI strategies has emerged over the past three years that sees vast funding pots being made available for AI research, innovation and national security projects. The federal government of Germany alone has committed 3 billion euros ($3.25 billion) for this purpose, with state governments pitching in additional funds for regional research institutions and public-private partnerships.

## WRONG TO SEE TERMINATOR VS. HUMANS

When we look at this global AI landscape, there is something important to note: We see a narrative of AI built on vast (and frankly overstated) expectations of its capabilities. The idea that artificial neural network architecture (and with it, "deep learning") is the breakthrough technology for creating conscious, or even sentient, machines fuels the looming fear of robots taking our jobs. It prompts us to picture the Terminator, rather than a server farm, in our head.

The Terminator narrative of AI and automation very often depicts "low-skill" or "blue collar" workers as the most likely victims of automation. This framing is not only incorrect, but it is also a strategic distraction from the policy decisions that frame what we see as "skillful" work and what kind of labor we value.

## COVID-19 SHOWS THE IMPORTANCE OF THE HUMAN ELEMENT

This is thrown into sharp relief in the current global health crisis: If we truly had robots for all our essential "low-skill" services, then these services wouldn't be on the edge of breaking down to the extent they are now, which shows us how important these job roles really are.

For example, Amazon warehouses are automated to a significant degree, but they are not fully automated. Humans and machines work together and many crucial tasks, such as delivery, are still completed entirely by humans. The key part is that these humans are undervalued and at a much higher risk.

Their precarity is not only unevenly distributed along the fault lines of well-known inequalities, but it puts us at risk as a society at large. Not having health insurance or not being provided with protective gear fuels the spread of the virus among those workers who form the backbone of what is left of our economy.

## THE WIDER CONTEXT

There is a bigger context to this that we have to consider, and that often gets pushed to the sidelines by the AI hype. First, there is a systemic issue around wage stagnation and automation that extends into important questions around AI. Productivity growth (the proportional change in output growth per unit change in labor output) over the last three decades in the United States has indeed increased due to the introduction of labor-saving technologies, not just AI. Productivity used to grow in tandem with labor compensation; however, that has changed dramatically since the 1970s. Productivity has continued to grow, but wages stagnated.

This means that that laborers lost their stock in productivity and in infrastructure, but they did not necessarily lose their jobs. This shift has coincided with the dismantling of unions, leading to a decline in collective bargaining power and the rise of the gig economy.

This change caused by COVID-19 provides a window of opportunity for reconfiguring how we think about society, technology and the economy.

## CHANGES ARE DRIVEN BY POLICY, NOT TECHNOLOGY

In the meantime, employers have increased their own stock in crucial infrastructure — just think about Amazon's cloud empire — but these developments are hardly entirely due to technological innovation and automation. They are the results of policy decisions.

In the U.S., automation is incentivized via tax breaks while human labor remains expensive. So we end up with a situation in which "low-skill" does not equal likeliness of automation — "ease of automation" does.

"Tax-incentivized ease of automation" is a very different framing than "low-skill." Contrary to many stories that we hear, tasks that we traditionally value as high-skill are just as much at risk of automation. For example, automating large-scale text analysis through natural language processing technologies is an attractive business proposition for law firms. Writing code, a skill currently valued highly and compensated accordingly, could also be automated.

This is how automation and the rise of inequality are linked: not through technological change, per se, but political and economic decisions made upstream. Not seeing this relationship clearly pits certain humans — not all humans — against machines in ways that have us focus too much on the machinery and make the wrong decisions around workers' rights and well-being.

## COVID-19 HAS CHANGED THE WORLD AS WE KNEW IT

This change provides a window of opportunity for reconfiguring how we think about society, technology and the economy. Now is a good moment to draw out strategies for change. We need to stop talking about large-scale work replacements *caused* by robots, and remind ourselves that technological innovation and change follows policy and investment decisions. The state, not just the private sector, plays a central role here, as economist Mariana Mazzucato has reminded us.

We need public buy-in (quite literally) for the idea that successful, equitable automation means a sociotechnical system in which workers play a central role, whether through directly or indirectly working with machines, and are compensated accordingly.

## BUILDING GREATER RESILIENCE

This is not just a matter of doing the right thing. It is also a matter of getting society and the economy to a point of resilience, which is needed not least to secure the democratic process.

At the most basic level, wages need to be required to rise in tandem with productivity — especially when it comes to "low-skill" work that keeps the most crucial parts of our economy afloat. This means deploying tools that are widely known and yet underused, such as minimum wage and universal health care, as well as worker unions (reestablishment is well underway in the tech worker movement), considerations of universal basic income and public investment in infrastructure.

Now is the time to make these changes.

# HOW TO MANAGE EXECUTIVE PAY AND INCENTIVES IN UNCERTAIN TIMES

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In a matter of three months, COVID-19 rapidly transformed from a local virus outbreak to a global pandemic. While the stress it has put on society at large and on health care systems around the world is unprecedented, it has also nearly brought the global economy to a grinding halt.

This slowdown is likely to be prolonged, and given the scale and severity, businesses need to adapt quickly. In the short-term, organizations will need to adopt some cost-containment measures and rethink their cash flows and working capital requirements.

An important piece of the jigsaw for organizations from this perspective is remuneration. Often constituting one of the largest "controllable" costs, organizations need to undertake careful planning to retain, reward and motivate employees through this crisis.

## EXTRAORDINARY TIMES DEMAND EXTRAORDINARY MEASURES

Several companies in Singapore and around the globe are already implementing executive pay reductions in the form of salary freezes and voluntary pay cuts or reduction and deferral of bonuses in response to the COVID-19 crisis.

While the overall financial impact of executive pay cuts on the company's bottom line is likely to be limited, such cuts are critical from a leadership, perception and messaging perspective. At a time when share prices are plunging and as companies may need to consider headcount reductions, executives cannot be seen as financially insulated.

From a remuneration standpoint, however, most senior executives are paid significant proportions of their total compensation through performance-linked variable pay awards — both cash and equity. These awards are bound to be dramatically impacted by the slowdown.

To put this in perspective, senior executives in Singapore typically receive between 40%-70% of their total pay in performance-linked incentives, up to half of which could be in long-term equity-based vehicles. In comparison, most other employees only receive between 10%-20% of their total pay in incentives — usually as annual cash bonuses.

Presently, it is critical for organizations to effectively navigate and manage variable pay components by trying to balance the affordability aspects with fairness to ensure that motivation and productivity levels do not drop — which can arguably have a major enduring impact on business performance.

## WHAT CAN BOARDS AND REMUNERATION COMMITTEES DO?

In Mercer's discussions with multiple boards and management teams over recent weeks, it has come to light that a number of alternative approaches are being considered with respect to variable compensation for executives.

One approach includes reducing budgets for annual executive and employee cash incentive programs in light of lowered performance expectations and the need to better manage immediate cash flow and expenses. Organizations need to be mindful to do it in conjunction with reduced performance goals, or management will be doubly penalized with reduced budgets and below-par performance, resulting almost certainly in low or no payouts.

Another route is to revise targets for incentive awards for FY2020 and beyond — especially where they were set prior to the COVID-19 outbreak taking hold. While in some sectors in particular, this is necessary, given the immediate nature of the impact, it is still difficult to forecast the duration and scale of such impact as the situation continues to evolve. It is important to bear in mind that reduced expectations have to be balanced with reduced spending to manage affordability of budgets.

If no adjustments are made to either budgets or targets for incentive awards, given the uncertainty, boards and remuneration committees could make discretionary adjustments at year-end. These would be based on actual outcomes and business response, considering talent risk, pay competitiveness and affordability.

For equity based long-term incentive awards, there are multiple implications and considerations:

- Equity based compensation can serve as a useful reward and retention tool, especially when cash spend on salaries and incentives is being reduced. Many startups are adopting this approach to reduce cash-burn rate.
- Setting long-term targets for future grants as per business expectations but allowing for either the exclusion of the period for COVID-19 in performance calculations or "retesting" targets mid-way through the grant cycle should the impact be prolonged and deeper than expected. This would be a less-preferred approach by institutional shareholders.

Company boards across industries are responding by reducing their own fee levels to express solidarity with senior management and shareholders.

- Given that the share prices for most companies have dropped around 20%-30%, on average, in the last few weeks, any grants made right now would inevitably result in a higher number of shares being awarded, resulting in higher dilution/depletion of share reserves. Boards are considering either delaying the grants to later in the year when share prices normalize, or awarding the same number of shares as last year, using a three-month average share price or capping the dilution impact to normalize share award grants for FY2020.
- It is also important to note where adjustments are being made to current year share awards; historic awards impacted by the current outbreak must also be adjusted appropriately. Given that most awards are based on aggregated performance over two to four years, companies should exclude the COVID-19 impact period from performance calculations to maintain consistency in approach.
- As the full impact and duration of COVID-19 remains unknown, it is difficult to set meaningful and accurate long-term targets for performance-based awards. One way to provide for that inaccuracy is by expanding the range between threshold and superior levels of performance expectations, hedging against significant deviations and avoiding major volatility in pay outs. Another way is to increase the use and proportion of relative performance measures so management is rewarded for how they performed against their peers rather than against absolute targets.
- Boards are also considering replacing a proportion of the performance-linked share awards with time-vested restricted-share awards. This hedges against any unfair and undesirable volatility in executive earnings, overcoming accurate long-term target-setting limitations and providing a retention tool to secure talent when the business emerges from the crisis. This should inevitably be clubbed with reduced award sizes, longer vesting periods or higher shareholding requirements for executives to ensure they are held accountable for a positive and sustained post-crisis recovery.

In all of this, companies must take a long-term approach to variable pay, ensuring that executives' behaviors are aligned with the long-term success of the company.

## RESPONDING FROM THE TOP

At times such as these, it is important that a company's leadership team is front-and-center, ensuring they guide their people through the difficult period by maintaining a sense of fairness, commitment and optimism. To do so, they must ensure that they are not seen as protecting self-interest over the interests of employees, shareholders and the broader community.

Company boards across industries are responding by reducing their own fee levels to express solidarity with senior management and shareholders.

In addressing the immediate challenges, it is also important that organizations do not overlook long-term priorities of the business, links to compensation structures and the need to effectively communicate these with senior management and employees. Companies need to acknowledge that talent is a scarce commodity, and therefore, they must do enough to retain their best, especially as they emerge from this outbreak.

It is heartening to see companies respond to the downturn in humane ways. Some are setting up funds to address hardships faced by their employees while several company executives are foregoing their paychecks to contribute toward humanitarian efforts to support communities.

This is as much a test of leadership as it is of businesses. Those who lead from the front and row the boat to safety while ensuring no one falls over will emerge in the best shape to thrive when this crisis abates.

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# ARE CONTACT-TRACING APPS THE ANSWER? LESSONS THE US CAN LEARN FROM OTHER COUNTRIES

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Tracking people and information about them, like health or geolocation data, is quickly becoming the primary tactic in fighting COVID-19. It's been implemented in at least 30 countries, including Singapore, Australia, Israel, Ecuador and South Africa, and is currently under consideration in the United States. In the rush to contain the pandemic, few countries are, however, considering the dangerous ramifications of their actions.

Public officials in India, for instance, have publicly shamed people by releasing PDFs with the names, addresses and travel history of COVID-positive patients and by placing notices outside the homes of quarantined people. South Korea sends phone alerts to people who are believed to have crossed paths with an infected person, which has led to re-identification of those people and discrimination and death threats. These actions stigmatize individuals with the virus, potentially leading to underreporting, and entail the unnecessary collection of vast amounts of information about people, like location or health symptoms.

Governments are also using technology to enforce quarantine orders. Polish authorities employ an app requiring those in quarantine to respond to text messages and take daily selfies to prove they are complying with stay-at-home orders. Failure to respond to the messages within 20 minutes leads to a police visit. Authorities in Russia use facial recognition in public to identify people who disobey quarantine orders, and authorities in Mexico, France and the U.K. have deployed drones to monitor quarantine. These technologies are incredibly privacy-invasive, handing over to governments a treasure-trove of data that could be repurposed for any future use (such as building a facial recognition database). Governments should consider implementing less privacy-invasive ways to reach the same goals.

The most promising and talked-about "solution" to the spread of COVID-19 is digital contact tracing, either through geolocation or through proximity, leading governments around the world to amass this data. At least eight EU telecoms (including Vodafone, Deutsche Telekom, and Orange) are sharing anonymized geolocation data with the European Commission. South Korea uses GPS to supplement contact-tracing interviews with COVID-19-positive patients. Yet, there are several issues with this type of contact tracing.

## CONTACT-TRACING APPS ARE LIKELY TO BE INEFFECTIVE

Contact tracing through technology such as Bluetooth or geolocation has several flaws, and plans to implement it should be carefully considered, not rushed. Thus far, there is only "anecdotal evidence" that contact-tracing apps are effective, according to experts from the World Health Organization. The proof is in the pudding.

For one, geolocation is insufficiently granular to serve the contact-tracing purpose. It's generally understood that people need to come within six feet of each other to become infected, yet telecom location data, GPS data and Bluetooth proximity data are unreliable in making those determinations. Both telecom and GPS data are not accurate enough to determine when two people actually come within six feet of each other. And Bluetooth data goes through walls and glass, potentially leading to false positives when two people, for instance, drive by each other in cars or are sitting on opposite sides of a wall separating two apartments. Bluetooth-based apps are also susceptible to data breaches and even hacking. (A team at MIT is attempting to address these concerns with its own app called Safe Paths.)

Second, such a contact-tracing app will only be effective if it is used by enough people — some experts say 60% of a country's population. There are many reasons why this may never come to pass, particularly given that a recent Washington Post-University of Maryland survey showed that 50% of smartphone owners in the U.S. would not use such apps. This result is likely caused by a lack of trust in the companies who build them and a lack of understanding in what happens with the data. Even in Singapore, only one in five have downloaded the TraceTogether app since its launch on March 20. And it didn't stop a huge surge in COVID-19 cases in Singapore a month later.

Finally, using Bluetooth or cell phone location to trace contacts means that only those who have smartphones with Bluetooth capability will benefit. While 81% of U.S. adults own a smartphone, that number drops among more marginalized demographics — only 53% of those above age 65 and 71% of people earning less than $30,000 per year own a smartphone.

While these apps can provide some benefit, they should not be viewed as a panacea to the pandemic.

While we must address the pandemic, we should also consider the long-term consequences of building entrenched systems of surveillance that will be difficult to roll back after the crisis.

## THE U.S. SHOULD LEARN LESSONS FROM OTHER COUNTRIES

As authorities search for solutions in technology, there are lessons to be learned from how other countries have leveraged technology to respond to the crisis.

**Apply strong data protection requirements to health and location data.** Governments should impose strict data protection requirements like purpose and use limitations (including no public shaming), access limitations and retention policies. Such protections will help ensure people's data are not misused or repurposed after the pandemic is over. It will also improve trust in use of technology for public health, as people will not have to worry about their data being harnessed to drive advertising, housing, employment or other decisions. Information that is collected in response to a pandemic should not be used for commercial purposes nor should it be mined for AI or machine learning systems.

For instance, Australia proposed legislation that punishes misuse of app data, such as collection, use or disclosure of COVID-19 data (except by public health authorities), and criminalizes the forced download or use of the app. Narrowing who can access and use the data will help ensure people trust their data won't be used for nefarious purposes.

Recently, U.S. Senate Republicans proposed a COVID-19 data protection law. That the Senate has identified the need for legislation to protect against abuses of COVID-related data is a positive development, but the bill could go further. It should include anti-discrimination protections for people who choose not to use contact-tracing apps, strengthen data minimization requirements and prohibit secondary uses of data, particularly for data retained after the emergency is over.

**Identify the information needed to help combat the pandemic.** Tracking people's symptoms or tracking their movements through geolocation may not yield useful information, and it may even make matters worse by collecting unreliable data. Governments and companies should identify the necessary information to help combat COVID-19's spread and determine how best to gather that information. If a government needs to know whether people have come within six feet of each other, it's a poor choice to rely on GPS data that is accurate to about 16 feet (and gets worse when near buildings, bridges and trees). Further, using facial recognition data to identify who is on the streets is not likely to help with monitoring quarantine compliance given that it often misidentifies people.

Contact-tracing apps like TraceTogether can be beneficial, but only as a supplement to larger efforts. People may not remember every place they've been in the prior two week period, or might not know the identities of those with whom they came into contact. Accordingly, contact-tracing apps should, at most, support the overall effort to fight the spread of COVID-19.

**Consider long-term consequences for privacy.** While we must address the pandemic, we should also consider the long-term consequences of building entrenched systems of surveillance that will be difficult to roll back after the crisis. In the immediate aftermath of the 9/11 attacks, we had a state of emergency, and in the completely legitimate pursuit of the attackers and the prevention of future attacks, Americans lost some rights that we've been trying to claw back ever since. History doesn't always repeat itself, but it does rhyme. We have been here before.

Google and Apple are working on contact-tracing software with government and public health authorities in mind. While they have put a lot of thought into the privacy protections of the app, including that location tracking in the tool will be banned, there is still reason for concern. Despite public commitments from both companies to protect our rights, there are no stringent requirements in place that would ensure that the software provided by Google and Apple cannot be repurposed for more tracking once the COVID-19 crisis is over. Moreover, their solutions are not based on open-source code, which prevents independent security and privacy experts from auditing how data may be used by these companies during and beyond the crisis.

Governments should avoid a knee-jerk reaction to the public health emergency with blind over-reliance on technology. People will experience real harm if governments don't analyze the downsides to these new technologies. We must fight COVID-19, but we shouldn't give up our rights in the process.

# REDEFINING ENTERPRISE RISK IN A POST-COVID-19 ENVIRONMENT

**Reid Sawyer**
Head of Emerging Risks Group at Marsh

The COVID-19 crisis has outpaced the resiliency mechanisms of most global businesses, bringing two related elements into stark relief: First, the degree of businesses' hyper-connectivity exceeded the comprehension of most organizations. Second, many firms did not account for the risks inherent in the trade-off between efficiency and resiliency. Together, these two dynamics have revealed a degree of fragility within organizations — and indeed, the overall system — previously thought impossible.

Whether or not we face a second wave of the pandemic, systemic threats — such as climate change and cyberattacks — demand new approaches to managing risk at the board level.

## PLANNING UNDER CONDITIONS OF DEEP UNCERTAINTY

As the pathogen's arc is reaching its peak in many parts of the world, the uncertainty facing boards is only increasing. The velocity with which this crisis has unfolded has challenged even the most mature resiliency plans. Human costs include, of course, fatalities, but furloughs also continue. Supply chains remain fractured. Third- and fourth-party risks continue to present new issues while businesses are unsure when and how to return to "normal." And finally, leaders are overwhelmed with immediate challenges, let alone forecasting and evaluating future risk scenarios.

The sheer number of decisions facing boards and C-suites from this crisis threatens to overwhelm their ability to set risk parameters and to inhibit their strategic decision-making abilities. Natural catastrophes most often have a beginning, a middle and an end; while we cannot see the outcome of a given storm when it materializes, we can track its path, assess the risk to facilities and examine operational resiliency.

By contrast, the COVID-19 crisis is almost without peer, and experts cannot tell us when we will emerge from this phase of the crisis, whether the forecasted "second peak" will be as severe as the first, or the degree to which our economy will be impacted or for how long.

Simply put, this crisis demands that leaders rethink the ways in which we define, measure and manage enterprise risk.

## A NEW REALITY

Traditional resiliency measures focused on enduring or evolving risks are not necessarily suitable when contemplating emerging risks like COVID-19. As such, the ways in which we view and measure risk at the board level must change to capture these new realities.

For too long, measuring enterprise risk has been viewed as a compliance exercise at worst and a process that seeks to protect a firm's value at best. The immediate lesson of this crisis is that the process itself must be dynamic and owned by the board — yet traditional measures do not adequately arm the board to extend its risk horizon.

## METRICS THAT MATTER

Metrics must position the organization for decision-making under uncertain conditions and assist in parameterizing the unknown. Organizations, with the guidance of their boards, must:

- Establish measures of risk aggregation and interdependencies across the value chain. Most organizations cannot adequately describe the amount of first-party risk they face, let alone the degree of contingent business interruption that risk presents in their operations.
- Develop resiliency metrics. Organizations collect enormous amounts of data related to productivity, capacity, and delivery across their systems. However, leaders need to ask a different, yet related, question: "How much stress can my organization withstand, and at what points in the value chain while performing or meeting its obligations?" Resilient organizations are both agile and pliant. However, most lack an understanding of how stress can act cumulatively across an organization, which inhibits their ability to act with certainty.
- Create intelligence layers. The velocity of systemic risks necessitates the ability to improve sense-making in an organization and to do so before it is under duress. Firms must collect and analyze information that enables early warning of crisis events, which can provide guideposts to navigate the early days of the crisis. In this manner, intelligence layers must be fashioned that provide barometers for key decision paths.
- Evaluate counterparty risk. Organizations must not only evaluate impacts across their organizations but also collect metrics on the businesses within their supply chains and the partners on which they are dependent.

While this list is far from exhaustive, it points to the need to evaluate fragility across an organization's value chain and, thus, enable organizations to establish a common denominator and allow different risk owners to evaluate threats and opportunities from the same reference point, such as revenue, earnings per share (EPS), or earnings before interest, taxes, depreciation, and amortization (EBITDA) impact.

## EVALUATING FUTURE RISK

Closely related to the need for different risk metrics at the board level is the ability to construct risk forecasts that evaluate future risk (discounted in net present value terms). The number of organizations employing scenario-based stress testing methodologies that allow for the investigation of different outcome and assumption sets is startlingly low.

This approach not only shapes our understanding of future risk scenarios but also allows us to evaluate potential shocks across the value chain. As such, organizations can evaluate risk capital investments, including the trade-off between resiliency and efficiency, from the perspective of the potential return on investment for those measures or activities.

Further, the development of future risk scenarios must challenge the assumptions embedded in the organization's strategies. Too often, leaders dismiss "black swan" or "gray swan" scenarios, as they are unlikely to occur. Instead, it will be important to evaluate risks across the spectrum from enduring to evolving to emerging risks and those areas where they may experience material shocks. The goal is not to forecast the future but rather to reduce and parameterize the uncertainty facing leaders today.

Ultimately, the way we choose to engage this new world will depend on how we define existing and unknown risks. This will require as much focus on continuity as we can muster to understand "discontinuity" in the system and our markets, as well as what this means for leaders evaluating and guiding organizations under uncertain conditions. Indeed, it is incumbent on us all to challenge the ways in which we have conceptualized risk as we navigate the recency bias that is certain to follow this crisis and to posture our organizations for a more resilient future.

*This piece first appeared in NACD blog.*

The way business leaders choose to engage this new world, post-coronavirus, will depend on how we define existing and unknown risks.

# 6 STEPS TO REOPEN BUSINESS POST-COVID

**Larry Pearlman**
Senior Vice President of the Workforce Strategies Practice at Marsh Risk Consulting


The world of work is undergoing massive changes. Just as 9/11 changed how the world travels, the COVID-19 pandemic will change how we work. These changes will extend to how individuals commute, enter workplaces, interact with others, manage tasks and more. Now, work not only has to be safe, it has to be "clean and assured."

We have identified six broad topics that organizations need to address as they reopen for business, ranging from how we define "clean" to the nature of work and supporting logistics.

## HIGHER STANDARDS TO ACHIEVE 'CLEAN AND ASSURED' STATUS

After 9/11, the public needed assurance that air travel was safe and secure. A new level of screening affected every traveler and airport employee. Similarly, post pandemic, employers will need to provide assurance that workplaces are clean and assured. Even if the population achieves herd immunity from COVID-19, people will expect facilities to maintain high standards.

To start, firms will need to adopt rigorous cleaning procedures for customers and employees, for which the CDC has specific recommendations.

These procedures will need to be transparent to all parties and will need to be audited. They may take the form of certifications, such as the safety inspection notices posted in elevators, or ratings, like a health department posting in a restaurant.

In the longer term, regulators may redefine minimum cleanliness standards for things ranging from disinfection processes to employee hygiene. Furthermore, employee adherence to stricter sanitary practices will need to have clearly defined behaviors. These could range from hand-washing instructions to complex cleaning techniques for specific machines, processes or industries.

Leaders will need to review, define and distribute new cleanliness metrics, as well as share firm performance with employees. And supervisors implementing new standards will need to develop the skills to manage cleaning, disinfection and inspection.

We can also expect to see increased use of personal protective equipment (PPE), including expanded use of gloves and face masks, becoming the norm in many customer-facing environments. Much like "hazard analysis of critical control points," exposures to viruses must be minimized across the supply chain. This could mean minimizing touch points, creating disinfection protocols and diversifying sourcing.

Facility upgrades will likely need evaluation, from better HVAC and air filtration to protective compartments for workers.

## ADDITIONAL APPROACHES TO MANAGING EMPLOYEE HEALTH

Before returning to work, we could see some form of regulatory guidance on which industries can begin to gear up. Federal, state and local governments will likely play roles in making these determinations. This may be done on a county-by-county assessment of risk as well as prioritization by industry type. An orderly and risk-based return to work could tread new ground in terms of legal issues, medical counsel and privacy, particularly if individuals return to work based upon virus exposure, immunity or vaccination.

Once at work, employees may be regularly tested and screened for COVID-19 symptoms, which will likely raise both privacy and employment law issues. Firms may need to consider creating isolation rooms for employees who experience symptoms while at work, and quarantine policies will be a necessity. The CDC has created guidance documents on how this should work.

Once back to work, companies will need to consider time-off policies, addressing, for example, practices that are punitive for absences. Any revisions to time off policies will need to balance the need to keep sick employees home with the need to keep operations going. Employers will be aiming to get the right balance of running operations and allowing employees to stay home while ill. Ultimately, organizations cannot afford to have employees report to work while displaying symptoms of COVID-19. In addition, they need to address the reality that some employees may be asymptomatic and infectious.

In the longer term, access to telemedicine facilities will be the norm for both industrial medicine and individual health care appointments. Given the level of stress in the environment, proactive support of employee mental health will be essential.

## LESS PRIVACY IN HEALTH MONITORING

In the short term, employees and visitors may see increasingly invasive forms of health monitoring. It is easy to imagine some of these changes

As the world emerges from coronavirus, the world of work will make fundamental shifts that address biological, physical and emotional challenges.

becoming part of how we operate in the longer term. Examples of changes could include active monitoring of health and symptoms, from screening for viruses to temperature monitoring. These changes would alter the concepts of privacy in ways we have not anticipated.

If we look to Asia as a post-COVID-19 model, employees globally could begin to be classified based on health standards. For example, a green code on an electronic device or wristband may signal COVID-19 immunity or vaccination and allow employees access to transport, employment and commerce.

## MORE INDIVIDUALIZED OFFICE SPACES

The days of shared office equipment and close quarters for seating are likely at the end of the line. This includes computers, printers, PDAs and phones. In addition, touchless control systems should be considered for other shared equipment such as elevators and doors.

As people return to work, firms may evaluate shift schedules and rotations to minimize exposure. Large employee meetings will likely be postponed, if not eliminated. Similarly, cafeterias will change to reduce employee exposures. These responses will need evaluation for both business-as-usual and future pandemic planning.

## THE PERSISTENCE OF SOCIAL DISTANCING

Technology has enabled many businesses to function as normal during the pandemic. We can expect that remote work will grow in popularity, meaning some of the workforce will make working from home permanent. In other areas, we may see an acceleration of job automation, particularly for routine transactions and point-of-sale work.

Where employees continue to work in office environments, there are likely to be fundamental design changes to accommodate social distancing. This means a shift away from shared and open-space offices.

Travel will reduce significantly, as employers integrate virtual technologies into business as usual. Where travel alternatives are not feasible, firms will need to make risk-based decisions on which travel modes and facilities are acceptable. Expect to see changes in commuting, car-pooling and ride-sharing, driven by a desire for lower-density transport options.

## HEIGHTENED FOCUS ON PREPAREDNESS FOR THE FUTURE

To ensure that critical infrastructure and essential functions are maintained, organizations could increasingly rely upon housing employees near facilities where they are isolated from the larger population. This would be of particular focus for utilities, energy providers and manufacturing.

The current crisis has also taught us the value of being prepared for pandemics and having policies and practices ready to go when needed. It means robust IT systems to manage work from home and other needs. It also means having periodic drills to ensure the robustness of plans and supply chains, as well as the readiness of leaders. At a tactical level, it also means having stockpiles of required PPE and other essentials. At an individual level, it means having clear behavioral expectations, review and feedback. At a board level, it means regular challenge and review for plan robustness.

## SUMMARY

As the world emerges from the current pandemic, the world of work will make fundamental shifts that address biological, physical and emotional challenges. Just as we made changes post 9/11, we will adapt and respond to the challenges of pandemics. It will require thoughtfulness and planning. People will need to change their fundamental behaviors regarding how work gets done and how we keep our facilities clean and assured.

# SIMPLE STEPS FOR EMPLOYERS TO REDUCE THEIR EMPLOYEES' STRESS AT HOME

*A BRINK interview with* **Jennifer Petriglieri**
Associate Professor of Organizational Behavior at INSEAD

*The lockdown has posed some unique challenges for the millions of households in which both partners work. Back in October, [BRINK spoke to Jennifer Petriglieri](), the author of a book called Couples that Work: How Dual-Career Couples Can Thrive in Love and Work about how couples can navigate dual-career relationships.*

*During the lockdown, Petriglieri spoke to dozens of working couples to see how they are coping in these times. We began by asking her what she found.*

**PETRIGLIERI:** Couples have essentially become work colleagues. The person who sees our work all the time is now also our partner. So we're exposed to the full force of our partner's work stress, and work for many people is very stressful now, because of job uncertainty, the need to adapt, the exhaustion from all the Zoom meetings.

Another issue is time and space constraints. Very few couples have one home office, almost none have two. So the home has become a contested domain for many couples.

And then there's the stress of if one partner loses their job. On the one hand, couples might think, OK, we'll rebalance so that whoever's lost their job will take up the slack with the kids and the housework, so at least the other partner can focus 100% on their work.

But that's a real trap because then that partner doesn't have the time to look for their next job. Do you invest the time as if you're still working and try and get back on the wagon, or do you use it to take up the slack? So it's stressful not just for the financial aspects, but also in terms of figuring out what to do next.

## KEY MOMENT FOR TALENT MANAGEMENT

***BRINK:*** *So looking at this rather daunting landscape, what can employers do to help couples in these situations?*

PETRIGLIERI: Actually there's a lot employers can do. And it's important to recognize that what companies do right now will be remembered. My other stream of research looks at organizations in crisis and leadership in crisis. In times like these, people are watching the leaders in organizations like hawks, and they remember what they do.

This is the time companies are going to prove whether they are just talk or whether they are taking action. This is a key moment in that talent management life cycle. And the risk is, if they don't get it right now, they will bleed talent later.

Now that's hard for organizational leaders — their organization may be in a crisis, they may be losing money — but it's important to step back and think, "OK, what I do now has real, long-term consequences in terms of talent."

## CHECKING IN

***BRINK:** So that is the question: What can employers do?*

**PETRIGLIERI:** The most important, and perhaps most obvious, is to check in with people — really try to understand what the issues are that people are facing and don't assume that each employee is facing the same issues.

One best practice is to send out a short employee survey to understand the impact of the lock down on employees' home and working lives — everything from technology issues, to child care and burnout. That shows genuine care and concern and also gives leaders the data they need to make decisions around the kind of support they need to offer to people.

Another thing is to rethink the working day. People working from home, especially if they have kids in the house, may need to work very different hours from the classic 9-5. Taking into consideration people's constraints and whether those things still work is something that looks symbolic, but it makes a huge difference in the lives of working couples. It costs nothing, but it buys a lot of goodwill.

If I've been asked about my constraints and suddenly I see my manager has shifted a team meeting to a time that all of us can join, that means the world to me.

## WHEN THE MAGIC HAPPENS

***BRINK:** Do you see any long-term shifts in working practices coming out of this crisis?*

**PETRIGLIERI:** One thing that I hope shifts is that flexible working will be de-stigmatized. Up until three months ago, if you took advantage of flexible working, it was stigmatized; you were more likely to be passed over for promotions, you were less likely to get that pay increase.

And that was because the senior leaders who have the power over our careers have no experience of working flexibly, so they make a raft of false assumptions about what that means. For example, that people may be less committed if they work flexibly.

And what's happened now, of course, is that everyone, including CEOs, have had experiences working flexibly from home. And, although it can be really tough, we also know it can be quite productive.

In fact, the research shows there's a sweet spot of productivity if people work from home one or two days a week. Then they're getting the best of both worlds. They're getting that quiet time at home where they've got no commute. But they've also got the balance with time in the office and face time with people to make those connections.

So if this period teaches senior leaders of the benefits of flexible working and destigmatizes it, then both employees and organizations will benefit. That is my big hope.

If this period teaches senior leaders of the benefits of flexible working and destigmatizes it, then both employees and organizations will benefit.

# CORONAVIRUS WILL TRIGGER A SUPERSPREAD OF AUTOMATION

**Jeffrey Brown**
Head of Tech Policy at Bertelsmann Foundation

As COVID-19 courses through the United States, technology and automation are often touted as primarily positive forces that unlock home grocery delivery and the flexibility to work from home. But for many low-wage workers, COVID-19 has catalyzed a pernicious chain reaction that will impact their lives long after the virus has been suppressed.

Analysis from the Federal Reserve Bank of San Francisco and Brookings shows that economic downturns — such as the one created by COVID-19 — boost incentives for companies to automate tasks and jobs. These forces target jobs with a high proportion of predictable and repetitive tasks — positions occupied disproportionately by low-wage workers.

But unlike previous downturns, this time around, the incentive to automate is amplified by the unfolding public health crisis wrought by COVID-19. Housebound consumers wary of contracting the virus through packaging or face-to-face contact have massively curtailed spending.

In response, companies are turning to technology and automation to insulate lines of business from the current pandemic — and future disruptions. Meanwhile, workers confront the double whammy of a looming recession and the "superspread" of automation imposed by the COVID-19 health crisis itself.

## COVID-19'S INCONVENIENT TRUTH

On May 13, Federal Reserve Chairman Jerome Powell noted that more than 40% of adults in households with an income of $40,000 or less reported losing a job in March 2020. "Nonessential" jobs in restaurants, bars, hotels and retail led the first wave of furloughs and layoffs.

The mass job cull that many "future-of-work" commentators predicted would stem from "exponential" growth in artificial intelligence and automation was instead precipitated by the wild card of a pandemic. And the losses stacked up in record time: In May, the real unemployment rate spiked to 23.9%.

As the pandemic cut its path across the U.S., some low-wage workers experienced an uptick in demand for their services. A 30% surge in e-commerce created the need for 235,000 additional workers at Walmart, and 175,000 at Amazon. Grocery delivery provider Instacart announced plans to hire 300,000. The U.S. administration, invoking the Defense Production Act of 1950, deemed meatpacking, which employs half a million, "critical infrastructure," obliging workers to continue production.

Many frontline workers contracted the highly contagious COVID-19 as they toiled in close quarters with one another, or in repeated direct contact with the public. Grocery stores, fulfillment centers and meatpacking plants soon turned from job incubators to breeding grounds for the virus. At one point, a single pork plant in Sioux Falls, South Dakota, accounted for the largest cluster of infections in the U.S.

## THE DAWN OF MINIMUM SERVICE

Faced with a COVID-19-fueled recession, businesses are searching for ways to guarantee "minimum service" in advance of the next large-scale disruption. Previously, companies focused on automating processes and tasks to supercharge productivity. In a post COVID-19 world, the "essential-ness" of a good or service — and reliance on a low-wage worker to deliver it — could be used to justify massive investments in automation.

Automation that shields workers from sickness while ensuring the delivery of critical goods and services could initially be welcomed by workers and the public at large. But minimum service will also be used as a way of carving out competitive advantage. If a competitor's operations are crippled by labor shortages or stay-at-home orders during the next pandemic or disruption, companies that invest in automating processes now are likely to come out faster — and perhaps stronger — as the economy rebounds.

As the U.S. emerges from the throes of the pandemic, automation is most likely to sweep through industries that suffered operational or reputational disruption during the COVID-19 crisis. Paradoxically, the U.S. will need to implement technology and automation to buoy productivity gains — and the economic recovery. But the full-scale automation of complex systems will be costly, and only companies with the deepest pockets — or access to the most advanced technologies — will prevail.

Companies will be more likely to invest in automation as a way of instituting resiliency against present and future disruptions.

## THE SUPERSPREAD OF AUTOMATION

The pandemic created an overnight unmet need for “contactless” delivery of groceries and takeout that upholds social distancing. In China, autonomous vehicles and delivery have been used to transport food and medical supplies to medical professionals and consumers. The rapid spread of COVID-19 in the U.S. has allowed Aptiv to test autonomous delivery in Las Vegas.

Companies from Ford to Waymo are sticking with their long-term bets on autonomous technologies. Meanwhile, early survey data shows that post-pandemic consumers are less likely to use buses, subways and trains as they emerge from lockdown, which could lead to the normalization of autonomous technologies and their widespread adoption by wary consumers.

Given its frightful performance during pandemic, food production is likely to see further waves of automation. The U.S. produced twice as much food in 2020 as it did it 1970, with 55% fewer workers. Despite this record increase in productivity, during the COVID-19 pandemic, nearly 10,000 meatpacking workers contracted the virus, and more than 30 died.

In the pandemic’s wake, meatpackers are searching for ways to automate production lines to reduce worker infections and maintain minimum service. Major advances in robotics, image recognition and machine learning will allow more automation of meatpacking. Major producers such as Tyson, Pilgrim’s Pride and Costco are investing heavily in automation to ward off disruption caused by the virus.

## THE POST-COVID-19 FUTURE OF WORK

Warehousing and logistics, another locus for the spread of the virus, could see major structural changes as well. To ensure minimum service, many stay-home orders excluded warehouses and logistics facilities, resulting in COVID-19 infections. Now, companies such as Gap and Walmart are speeding up the use of robots and warehouse automation to limit contact between workers.

The economic and human toll left in COVID-19’s wake shows how we may benefit from a more automated workforce that protects workers and promotes a maintenance of minimum service. The pandemic foisted a sudden and jolting experiment on companies and workers from which we have yet to fully emerge.

The great irony, of course, is that while many were once petrified of the labor-displacing effects of automation and new technologies, the pandemic has altered that calculation. Now, companies will be more likely to invest in automation as a way of instituting resiliency against present and future disruptions. And increasingly, they will be asking: “How can automation accelerate the recovery and protect us from future disruption?”

# HURRICANE SEASON  HAS STARTED, BUT FEMA IS TIED UP WITH CORONAVIRUS

**Daniel Kaniewski**
Managing Director of Public Sector Innovation at Marsh & McLennan Advantage

The Atlantic hurricane season is now officially underway, and NOAA is predicting it to be a busy one, with an above-average six to 10 hurricanes. Meanwhile the U.S. federal government's hurricane response agency, FEMA, is currently leading the response to coronavirus. Given the likelihood that we will soon see both hurricanes and coronavirus, HHS should manage the ongoing pandemic response so FEMA can prepare for coming "coronacanes."

In March, I wrote that FEMA should lead the federal government's response to coronavirus. Soon thereafter, the U.S. administration directed FEMA to take this role. Since then, FEMA has filled gaps in the response by untangling complex supply chains and facilitating expedited delivery of needed personal protective equipment and testing supplies. It surged its staff, shared its operational know-how and disbursed well over a billion dollars in funding.

## TRANSFERING RECOVERY TO STATES

In recent weeks, the pandemic response has been transitioning to the recovery phase of the disaster. Traditionally, this means FEMA transferring responsibilities back to the states and the agency serving more as the federal government's piggy bank than its responder-in-chief. This recovery phase will last months, if not years, as FEMA financially supports states with its $80 billion disaster fund.

But FEMA's operations center remains activated for the coronavirus. Though FEMA took the unprecedented step of standing up a second operations center for other disasters, dueling disasters will further tax an agency ahead of its traditional "busy season." In 2017, with three back-to-back hurricanes, FEMA's operations center was activated for a historic 76 consecutive days. I acutely recall how that lengthy activation stressed the system and the workforce. The coronavirus operation has now surpassed the 2017 record with 87 days activated.

## A HURRICANE SEASON UNLIKE ANY OTHER

FEMA has been open about the challenges the nation will face this hurricane season. The agency recently released guidance that describes how responses during this hurricane season will be different from any other. Emergency managers need to adapt their existing hurricane response plans based on this guidance. For example, social distancing means that the use of mass shelters (think gymnasiums filled with cots) are no longer the best option for temporarily sheltering displaced survivors. Officials will need to leverage hotels and college dorms and to the extent congregate shelters are used, precautions will have to be implemented.

But how can FEMA adequately prepare itself and support state and local governments with hurricane season already here? While the official start of hurricane season is June 1, 96% of major (Category 3 or higher) landfalling hurricanes occur from August to October. This means there is a crucial two-month window for FEMA and its partners to address these unique circumstances. Preparedness should be the urgent priority for the next two months. Federal, state and local officials should be replenishing equipment caches and updating and exercising new plans during this relative calm before the storm.

There's no time to waste. The two major spring hurricane conferences where scientists, emergency managers and other stakeholders share best practices from previous seasons and plans for this one were cancelled. And state and local training programs and hurricane exercises were postponed or cancelled.

## AN ALL-HAZARDS APPROACH

The potential scenarios FEMA may confront during the pandemic are not limited to hurricanes. Flooding that triggered dam failures in Michigan demonstrates the ever-present risk of simultaneous disasters. There were also earthquakes in Nevada and Utah during the coronavirus response. And wildfires are burning in Florida as the state prepares for hurricane season. Coronavirus even forced FEMA to cancel its national cybersecurity exercise, just as cyber risks were increasing.

Luckily, FEMA and all emergency managers take an "all-hazards" approach to emergency management, and coronavirus-tailored plans for hurricanes will be largely applicable to other concurrent risks as well.

FEMA and state and local emergency managers need to prepare now for the unique circumstances they will face this hurricane season. The U.S. government can support FEMA's preparedness efforts by directing HHS to assume responsibility for the pandemic response. But they need to act soon. Coronacanes are in the forecast.

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# FOR BUSINESS RESILIENCE, LOOK TO YOUR PROCUREMENT TEAM

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Globally, firms are grappling with the effects of COVID-19, with the next 12 to 24 months expected to be a period dominated by multiple waves of partial suppression and re-confinement. This will have a sizable impact along value chains and signals a prolonged and arduous relaunch phase for procurement teams.

A recent Young Presidents' Organization poll of 3,534 chief executives from 109 countries highlights that 51% of chief executive officers see the current crisis as a risk to the survival of their company or a severe threat. Sixty percent of those same leaders are preparing for a U-shaped recovery — a long period between recession and an upturn.

From restricted access to credit, disruption of supplier operations and even bankruptcies, it is currently impossible to estimate the extent of the impact and what lies ahead. This unpredictability is particularly acute for leaders of procurement teams.

During the COVID-19 lockdown period, we have spoken to those who lead procurement teams across a variety of industries to understand how they are responding to new priorities and adjusting ways of working. Many of them are already tackling the difficult questions head-on.

To steer their firms out of the crisis, many procurement leaders should temporarily reshape their agenda around business continuity, smart cost containment, and using smaller, agile task forces.

## ENSURING BUSINESS CONTINUITY

The primary role of procurement teams in current times is to ensure operations can continue or relaunch despite the complicated business environment and to anticipate a variety of scenarios. Understanding the challenges suppliers are facing so they can weigh the risk of failure and find alternative solutions is key. This involves being close enough to suppliers to anticipate problems early on and adapting risk management plans.

During this crisis, we've already witnessed how this has been successfully put into practice. One example is a leading European automotive manufacturer, which set up a business continuity SWAT team at the beginning of March to make sure that all of its factories would be adequately supplied as soon as production started up again. The implementation of this team was quick, as it replicated a similar set up used almost 10 years ago off the back of the Fukushima events, which stopped production in Japan for several weeks and disrupted global automotive supply chains. The team leverages the flexibility of suppliers and uses alternative sources to match demand. It also identifies critical suppliers in distress and conducts rescue actions to relieve their finances or operations.

## MANAGING COSTS AND CASH IN A SMART WAY

Decreases in revenues and inbound payments have resulted in cash scarcity. Companies should carefully safeguard their own cash situation so they can be nimble and lean in the future. Keeping small- and medium-sized suppliers afloat with early payments is necessary to maintain a healthy and diversified group of suppliers. It can also be also used to optimize cost conditions or set the basis for deeper collaboration.

Cost containment is often a complex balancing act, with many factors playing a role. One example is a regional telecom operator that, when faced with COVID-19 and falling oil prices, mobilized a special internal procurement consulting team to identify areas of cost optimization. In a matter of days, the team screened most of the supplier portfolio to assess where the recent changes would create negotiation opportunities without harming suppliers. They found, for example, that cable prices would be positively impacted by the drop in the cost of key raw materials such as copper, artificial rubber and energy. Discussions with suppliers revealed how quickly this would reflect in their financials and consequently set the basis for a price revision, beyond the usual contract index adjustments.

This pandemic can be viewed as a unique opportunity to try out new ways of collaborating and reinvent the role and path for the future of procurement.

## MOBILIZING AGILE TASK FORCES

The main focus for procurement leaders and their teams will simply be about re-establishing and maintaining the status quo of business-as-usual, which has its own set of challenges. But as this pandemic is unprecedented, it is important to be highly vigilant and able to respond rapidly when required. Here, procurement leaders should organize small teams tasked with assessing the situation, known as "control tower task forces." Once issues and respective solutions are identified, they can be shared with the rest of the procurement organization for execution.

We have seen one durable goods manufacturer overhaul its procurement dashboard to allow more effective communication during the executive committee's daily meetings, which has led to clearer ways to take action. Its chief procurement officer mobilized a "COVID-19 relaunch control tower" team. The team regroups daily to consolidate information on supplier panel resilience and to assign tasks, and the executive committee receives a dashboard with eight key performance indicators and a summary of risks and requests.

## TIME IS OF THE ESSENCE

There are no easy answers to remaining competitive or afloat in this turbulent time, but investing the time to monitor and learn could make a huge difference. The coming months will be a great experiment to test tools and real-life new ways of working and to develop closer links between procurement leaders and their teams. Here, procurement's flexibility, agility and ability to build strong relationships internally and externally could have a lasting impact on the survival and success of an organization. While COVID-19 has given procurement functions an added layer of complexity — and many more headaches — it can also be viewed as a unique opportunity to try out new ways of collaborating and reinvent the role and path for the future of procurement.

Time is of the essence, and it is imperative that procurement leaders act now to drive transparency, bringing a global and fair vision to all stakeholders. Risk, cost and cash should remain priorities. Most of all, procurement leaders must make the time to understand what we have learned from COVID-19 and how this can pave the way for future procurement functions with greater vision and clarity.

# TO GROW SALES AMID UNCERTAINTY, TURN TO YOUR EXISTING NETWORK

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Across industries, companies have made substantial investments in salesforce automation tools and processes; however, few have capitalized on their most powerful resources, the internal network of people and data. Networked sales leverages these resources to increase customer intelligence, capture more opportunities and increase sales productivity.

Both during and before the current pandemic, enterprises that embraced networked sales have outperformed their peers by more than 5% in terms of revenue growth. As we are currently facing a crisis-driven shift in customer touchpoints toward digital and other remote channels, there is heightened urgency to break traditional organizational silos and build a commercial approach that uses every available asset. Networked sales can make the difference between surviving and thriving.

Below, we examine the three key elements of networked sales: increasing customer intelligence by integrating new sources of data, capturing opportunities and boosting retention by embedding non-sales resources, and increasing sales productivity by reshaping the sales organization into a cross-functional network. We also introduce how companies can set up a networked sales approach.

## MAXIMIZING CUSTOMER INTELLIGENCE

Today, there is a greater need than ever to share information across the organization and to tap new sources of leads and customer insights. The most creative enterprises look beyond the immediate touchpoints, drawing insight from their broader ecosystem.

One manufacturer and direct seller of a range of iconic engineering products now collects and leverages data from a variety of nontraditional sources, including customer community forums, sponsored events and conventions. Collected and shared by non-sales resources, this data has proved central to generating new sales leads.

The data collected through these sources feed into a "next best action" engine that powers its sales and marketing activities. The engine identifies potential new customers and optimizes budgets across the company's digital channels.

This innovative approach has become a core enabler of the enterprise's growth strategy. In its first three months following the launch of this new networked approach in a key United States location, sales increased tenfold.

## CAPTURING OPPORTUNITIES AND BOOSTING RETENTION

Networked sales also engages all customer-facing employees, including those who have ad-hoc customer interactions, to improve customer acquisition and retention.

For example, one of the world's largest technology retailers has created new sales guidelines to empower those employed in support centers to drive cross-sales. Customer support representatives are trained not only to address technical questions, but to sequentially sell add-on products and services, focusing customers' attention on the features that are most likely to appeal to their needs.

After experiencing the help provided by the support team, nearly 60% of customers said they were likely to make another purchase, highlighting how adopting a networked sales approach can contribute to incremental sales.

## INCREASING SALES PRODUCTIVITY

Positioning sales and sales-related resources — support staff, field reps and technical sales experts — into a coordinated ecosystem is a key to networked sales success. Together, they build meaningful customer webs of influence, prioritize leads and define actions.

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Networked sales teams have been proven to improve productivity. For example, a major cloud-based software and service provider overhauled its salesforce, reorganizing its entire organization into a series of territory field-sales teams supported by technical support staff. This included shifting the focus of sales from selling products to driving significant opportunities in wide-ranging digital transformations and multi-product solutions, with technical experts supporting the sales. Within a year, revenues rose by more than 50%, even though there was a net reduction in sales headcount.

In times of crisis, we observe a contraction in how enterprises delegate authority, with the C-suite and other senior executives making critical decisions and joining the front lines of sales, operations and public relations. This can be a catalyst for adopting an enduring networked sales approach, positioning the C-Suite as an integral part of the cross-functional sales network.

## GETTING STARTED

Implementing networked sales does not come without a few hurdles. Getting cross-functional teams to operate in concert requires careful design and significant change management, particularly in decentralized, human capital-intensive organizations.

Designing a compelling vision for the customer journey helps anchor all key design aspects, including roles and how to enable your resources in those roles with the right tools and incentives. Upskilling, or at least training, is often required. For example, non-sales staff needs to be trained to ask simple discovery questions and to make a few targeted recommendations that can lead to sales. For sales teams, the script needs to involve relationship-building and bringing in technical support staff when relevant.

The burning platform ignited by the current crisis can help overcome organizational inertia. There are various ways to get started that are low-risk, relying on experimentation and feedback to boost customer retention and advance commercial recovery efforts. For companies with longer sales life cycles, we typically see the highest return from dividing the sales team into a cross-functional network of lead qualifiers, solution developers, customer insight generators and expert negotiators. For companies where sales are more transactional, we typically see the highest return from tapping into non-selling teams, such as customer service, to generate leads and close more straightforward deals. Regardless of company type, one of the greatest tools at a company's disposal is the breadth of customer interaction data that can drive key sales insights. Identifying and tapping into all available data sources early will lead to a competitive advantage.

*A version of this article also appeared on Oliver Wyman Insights.*

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