



FINSBURY COVID-19 INSIGHTS

Many companies are considering how they can make a contribution to the public health response to coronavirus and manage the impact of the economic shock on their customers, employees, temporary workers, suppliers and communities. This piece outlines how companies can help and the reputational risks they need to consider as they make changes to their businesses to get through the crisis.

COVID-19 WILL TEST CORPORATE PURPOSE, RESILIENCE AND VALUES

The global public health emergency and economic shock created by coronavirus will test companies' resilience and values. Businesses that have championed their social purpose need to back their words with action if they're to retain credibility.

Companies' actions over the next few months will define their reputations. Those with holistic strategies which address the needs of customers, employees, suppliers and shareholders can emerge from the crisis with stronger support from each – helping them create sustainable value. However, those that can't find effective ways of balancing competing stakeholder demands risk an aggressive response from the public and government that could harm their businesses over the medium to long term.

Broadly speaking there are four ways a responsible business can contribute to the coronavirus response.

DIRECT ASSISTANCE – TREATING THE SICK AND MANUFACTURING CRITICAL MATERIALS

Companies should consider how to help the response and offer their resources where possible. Over the weekend, LVMH said it would use its cosmetics and perfume manufacturing facilities to produce hand sanitiser that would be supplied free to the French authorities. In the UK, Best Western Hotels said they could work with the National Health Service to create temporary hospitals. The British government has also called on manufacturing companies to start making ventilators and opened a hotline for companies to volunteer their services.

Private health care providers and companies in the broader medical supply chain should proactively engage with the authorities. On Monday the Spanish government announced it would take over the private health sector and that any company that could either manufacture or supply protective gear should report its capacity or face fines. Companies should take the initiative.

PREVENTING THE SPREAD

European and US firms have primarily sought to limit the spread of the virus by closing facilities, cancelling events, encouraging remote working, and deep cleaning facilities. Companies are likely to become more engaged in screening as people start returning to work. In places like Singapore both containment and recovery phases have involved temperature tests in offices, shopping malls and other places where people congregate. This may become part of day to day business practice elsewhere.

TAX, BAILOUTS AND FUNDING

Governments will need to fund the direct costs of the public health emergency and support fragile sectors of the economy. Airlines, retailers, energy companies and insurers have already called for public assistance. Although philanthropic donations, like those made by several Italian firms, can help address the immediate need, the crisis is likely to prompt a renewed discussion of corporate taxation. With government spending likely to rise and public support for state intervention increasing, there is likely to be more pressure on business to pay its 'fair share' of tax. Meanwhile, companies looking for support will need to make a holistic case for it. Those that can point to the wider economic, social and environmental benefits they create will have an advantage.

SUPPORTING CUSTOMERS, EMPLOYEES, TEMPORARY WORKERS, SUPPLIERS AND COMMUNITIES

The economic shock caused by coronavirus has the potential to create widespread hardship and bankruptcies that could affect companies' ability to operate over the medium term. Businesses will face significant scrutiny of their treatment of employees, temporary workers, suppliers and the customers of essential services. Some firms have already begun to act to preserve their broader business ecosystem.

Several companies have announced programs to help elderly people safely shop or receive deliveries at home, while hotel chains led by IHG have changed their cancellation policies to assist customers. In the US, retailers like Starbucks and Walmart have changed their sick leave policies. Uber has announced plans to compensate drivers who can't work (despite their classification as contractors not employees). And UK supermarket Morrisons has moved its small suppliers onto faster payments to help keep them solvent. Over time, we expect to see businesses form partnerships with government, charities and others companies in their industry to help ensure the response is as comprehensive as possible and vulnerable people are protected.

Companies under financial pressure may have good cause to cut jobs, community programs and contracts with suppliers. But redundancies and other cost reduction programs will need to be managed very sensitively. We expect a severe response from the public, government and the press towards those who are seen to be taking advantage of the situation or prioritising executive pay or short-term cash returns from shareholders. Qantas' Alan Joyce won't be the last CEO to forgo their pay this year.

COVID-19 COMMUNICATIONS

As the coronavirus crisis evolves, companies must develop communications strategies that effectively balance the needs of multiple stakeholders and account for rapidly changing social expectations. Messages around competitiveness that were once effective may no longer get traction. Businesses are likely to require new channels to reach audiences they might normally meet face to face. These might include using WhatsApp and Wechat to stay in touch with employees or much more sophisticated digital communication with investors. Both tone and content will be critical to maintaining support. Small errors risk being magnified. But the companies that can manage expectations, mobilise employees and ensure their messages are both clear and emotionally resonant can outperform and emerge stronger from the crisis.



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