



HFW CONSULTING

**LIFE BEYOND
THE PANDEMIC
A BUSINESS
PERSPECTIVE**



As the world entered the start of the next decade, few could have imagined let alone foreseen the way in which 2020 would unfold. From the early stages of infection, the speed in which the coronavirus pandemic erupted across the globe resulted in unprecedented disruption to the global business landscape.

Business had to change at pace and with agility as many of the previous ways of working, were not fit for purpose. Organisations were confronted with the very real challenge of adapting or becoming irrelevant, or worse still to disappear completely.

As we now enter the second half of the year, many organisations have increased their speed of decision making, accelerated their technological advances, embraced new or alternative ways of working and are engaging and collaborating with colleagues and customers in a new, more inclusive manner.

Over the past couple of months, we have had the opportunity to meet with a number of prominent General Counsels (GCs) and members of the executive teams of both regional and Multi-National Corporations (MNCs) from across Asia, the Middle-East and Europe. These discussions provided first-hand insights into the ways in which organisations are dealing with, managing through and starting to emerge from the pandemic.

Summary findings:

Whilst for many businesses the challenging economic environment is causing, or starting to cause operational difficulties. What became clear from these conversations was a genuine (and in some ways) unexpected level of positivity about the future. This sentiment was largely shared across industry and geography, and whilst did differ slightly at organisational level, the following emerged;

- **Diversification** – most businesses are looking at some form of diversification – either through establishing completely new income streams or changing their focus to alternative ways of delivering the same services. Whilst several respondents we spoke to reference stopping major investments, others are continuing to develop parts of their business where they have seen recent profitability. The view on discretionary spend remains varied with some diverting funds to core strategic projects, whilst others continue with their pre-pandemic growth plans.
- **Business Confidence** – all are looking at the emerging 'next normal' with a level of confidence. Conversations have suggested a degree of positivity in their cash position with some suggesting that they are well positioned to take advantage of the current situation – hinting at an increase in acquisitions.
- **Workforce Management** – For some there is a recruitment freeze, for others they are reporting a significant uplift in recruitment activity with one (in Shipping) commenting that they have not experienced such an increase in new hires for many years. None of those spoken to were, at the time, suggesting that redundancies were being considered. There is also an emerging view that in order to enhance organisation efficiencies, a degree of structural "flattening" will occur. This is as much to do with removing beaurocracy as it is in ensuring the appropriate deployment of labour.

- **Agile working** – A mixed view is emerging on the future of working. Some suggest they will embrace a more agile approach whilst others are expecting the "normal" office environment not to change. There are definite cultural differences and traditional/emerging sector splits in how this is being viewed.
- **Digitalisation** – for many the digital transformation journey had already commenced with a roadmap stretching over the next couple of years. Rather than dampening this strategic direction, organisations have accelerated their digital transformation, diverting funds and resources to enable rapid change. What digitalisation means though differs between organisations.

There was a fair degree of alignment on these areas, however, there were a number of additional points which reflected different stages of business recovery – including the impact on supply chains, oil price decline, and labour availability as well as health and safety concerns.

Of these the most challenging, and potentially of greatest concern to the future business environment was the reference made to the impact the pandemic was having, or at least starting to have on entrepreneurs and start-ups. Whilst the start-up world remains buoyant, several references were made to the slow trickle of talent moving away from the more risk facing start-up environment to roles in-company where individuals gained a greater sense of security. Whether this is a long-term change or one which we simply see as a direct impact from the pandemic is too early to tell. Although either way organisations should embrace these alternative thinkers and encourage them to develop innovation internally.

Building on the key points mentioned in the summary, the research has been consolidated into three core areas – **Business Disruption, Business Enablers** and the **Human Impact**. These are explored in the coming pages.



The pandemic has greatly tested the business continuity plans which were in place before Covid-19 struck.

Business Disruption

Prior to January 2020, business talked about disruption and typically saw it as an advance in their technological capability rather than anything more significant. Mergers continued, business acquisition remained on point and there was a sense that business strategy was on the right course. That was January.

“We (the business) are witnessing both a strategic and operational adjustment in light of the uneven economic conditions – this will provide a good runway of opportunity but is likely to result in financial challenges to SME’s and impact their ability to remain viable.”

Regional GC – Big Tech MNC, Asia

No matter the type of business, or sector in which it operates, Covid-19 has caused potentially the greatest business disruption of modern times. Whether in Shipping where crew changes were significantly impacted due to border closures and travel restrictions, the Construction sector

where supply-chains were stretched, tested and had to be remodelled at pace, or in Aerospace where airlines had their fleets grounded and effectively “moth-balled” and face a future which is governed by legislation as much as passenger confidence – businesses have had to grapple with operating in a world which was experiencing change at a rate rarely seen.

Yet where there were challenges, there were also opportunities. As the world quickly moved from office-based working to remote or flexible working, e-commerce and tech business income experienced significant growth. New routes to market opened, product and service development accelerated and portfolio diversification moved at pace. In tech we saw an apparent battle emerge between different video-chat platforms as organisations raced to enable their employees to remain connected; and in e-commerce we moved our shopping habits from high-street to internet almost overnight, creating jobs, opportunities and growth.

This growth has also brought with it different types of challenges. Cyber security risks have grown

exponentially with several high-profile organisations being the target for cyber criminals. There is an increasing expectation that as organisations shift back to the office environment (in whatever form that takes) this cyber risk will further intensify.

In the world of e-commerce, governments have started to take a more active interest in ensuring that appropriate legislation is in place. Cynically of course whilst on the surface this is aimed at protection, there remains a suspicion that the real reason is to ensure that income and tax are appropriately dispersed back to the local economies.

“This is a great time to be an investor with the time and money to identify, and invest in innovation and start-ups.”

COO, Innovation Incubator, Europe

With the disruption came opportunity for business to consider its portfolio. Diversification came in many forms, from supermarkets selling non-core products to academia offering “free” access to learning resources, and from airlines swapping passengers for freight



to mobile phone manufacturers making parts for ventilators. This business environment has also provided an opportunity for organisations to re-evaluate its existing portfolio and analyse which parts of the business could continue to operate profitably and which could be slowed, or even closed (temporarily or not). This flexibility has been adopted successfully by a number of organisations and the results have been both profitable and effective at managing the human elements of the pandemic.

“Lots of businesses are starting to struggle and shut-down, this provides an opportunity to consider strategic collaborations and diversification of core business operations.”

Group GC, Supply Chain Business, UAE

For many businesses travel has been a staple part of the way it operated, with vast funds attributed to the ability to develop business and enable relationships through the traditional travel and entertainment approach.

There is now an emerging and shared view that this traditional view is going to need to be re-evaluated and prioritised, as much as a cost-saving exercise, and also to shift the way in which business operates. What emerged was for many, especially those in Asia, the likelihood is that business will experience a complete shift in the acceptance of or requirement to travel, as it did. Even for those in sales roles, the ability to continue to serve and develop markets both in the B2B and B2C space has largely been maintained through tech platforms.

The pandemic has greatly tested the business continuity plans which were in place before Covid-19 struck. For some these plans were agile enough to meet the changing demands but for others it proved a reality-shock of how ill-prepared their plans were, let alone to deal with a pandemic of this type. In Asia, contingencies were largely updated following the SARS outbreak and therefore appeared to allow more proactive flexibility, but elsewhere contingency resilience was less planned and more spontaneous, and in the early stages reactive to government direction.

“The business has a 6-monthly lessons learned workshop, but the majority of the reviews fail to result in positive change.”

Group GC, Construction, Asia

Businesses have learned which aspects of the contingency plans sounded good in theory but didn't work in practice and contingency plans will be revised accordingly. Investing time in reviewing what worked and what didn't will be time well spent, however there remains a concern that these reviews are only valuable if action is actually taken.

A key lesson is that organisations are learning to adapt at a pace, organisational learning needs to continue and in many cases be encouraged to ensure that future disruption, and it will come, will be seen as a positive opportunity and not something which stalls business.



Business Enablers

As businesses raced to adapt their operations to maximise effectiveness and minimise the impact on business efficiency, there was a need to identify and adopt processes and systems which would not only ensure business as usual could be maintained but would allow business to drive commercial advantage.

“We need to consider what more we can do with “big” data and how it can assist us in making both operational and strategic business decisions.”

COO, Major Shipping Company, Asia

For many the most obvious enabler was to accelerate their investment in technology, drive forward a strategy which was already in play but focus efforts, resources and budget on becoming digitally enabled. Of course what this actually meant differed from organisation to organisation but at the core of this revised strategy was the innate ability to be as efficient as possible. The idea that global business would migrate almost an entire global workforce from a structured and well served office environment to one which would function as well, yet be virtual in regards to a physical office location, was on the whole successful. This was in the main down to the ability to mobilise technology and technological services to challenge the very means in which the businesses they served operated. Overnight entire businesses shut their offices, and simply relocated to home environments, enabled by technology and built on the ability to accelerate access to virtual environments.

The technology for remote working was always available, the barrier to higher levels of remote working was really psychological (and possibly a perceived competitive advantage). Now that we have had time to adjust to working remotely and have gotten comfortable that it is effective and for some, even more efficient, organisations may look into technology that will help managers better remotely supervise staff members that do not work

in the same office or region. For sales staff, it will be even more challenging as they may have to find a new way of connecting with clients and differentiating themselves from the competition.

No matter how much technology was embraced, what has become equally apparent is the impact that culture has on an organisations ability to adapt. For some this was as simple as changing the way decisions were being made; supported by the flattening of operating structures and simplifying of decision making – most notably in the ability to service clients and customers - those currently reporting positive financial performance, have attributed this, in part to their ability to move with agility and pace. However, more traditional cultural norms have emerged, creating a very different, yet equally successful financial outcome. It emerged that where traditional operating values were more prevalent, and arguably in the face of rational thinking (and government advice), some businesses have bucked the remote working ethos, choosing instead to continue as normal.

“The biggest opportunity is to continually re-think how we engage with our teams and how we help people to remain mentally resilient.”

Regional GC, Big Tech MNC, Asia

The final element of business enabler of course rests with the ability of organisations to motivate, empower and galvanise their employees around a new way of working. The degree of effort which was made in the early phases of the pandemic to ensure that people felt supported, understood and engaged was consistently strong, yet as the weeks drifted to months, these levels of effort have consistently stalled as business as usual becomes the new normal. Business needs to re-ignite their efforts to ensure that the human element remains a powerful business enabler, and not a derailer as the world of work looks to the next normal.

The Human Element

Organisations are notoriously ill prepared to deal with the human aspects of working. Financial models do not build in psychological impact and typically make unrealistic assumptions.

In times of crisis, organisations have a unique opportunity to revamp their operating model and try new things. The World Economic Forum in June 2020 called for the 'great reset', noting that "the changes we have already seen in response to COVID-19 prove that a reset of our economic and social foundations is possible." The idea is for organisations to wake up and incorporate sustainability in their growth targets and "revamp all aspects of our societies and economies, from education to social contracts and working conditions." There is clearly a way, but is there a will?

"The effective management of the safety, health and wellbeing of our global staff is a key business priority, we need to recognise the impact on the mental health as a result of increased anxieties and stress."

CEO, Ship Management, Asia

One of the most topical issues is diversity. There have been numerous studies that show diversity is generally better for an organisation. Companies that have more women on the board perform better financially. Creating an environment that is inclusive for people of different backgrounds is hard. So many organisations take the easy way out. They formally espouse, but the culture is intolerant of diversity and as a result, there is no diversity in staff or in opinions. Challenging issues like these require buy in from the top from the board down to senior management if culture and attitudes are going to change.

Change is always challenging and the bigger the organisation, the harder it is to change. Change will happen if the CEO personally feels that there

Businesses talked about disruption and typically saw it as an advance in their technological capability rather than anything more significant.

is value in such change especially if there is no easy way to quantify the expected financial gain. Organisations understand loss avoidance, but are still more likely to focus on financial gain. Employees want better and safer working conditions and for their humanity to be a factor in the profit calculation. Organisations are more anxious to work their staff harder to make up for lost time, than to learn from this pandemic and transform into something better.

"The value of the employee experience and the ability of employers to use this to attract and retain talent will become more and more important as the business world starts to emerge from the pandemic."

Regional GC , eCommerce, Asia

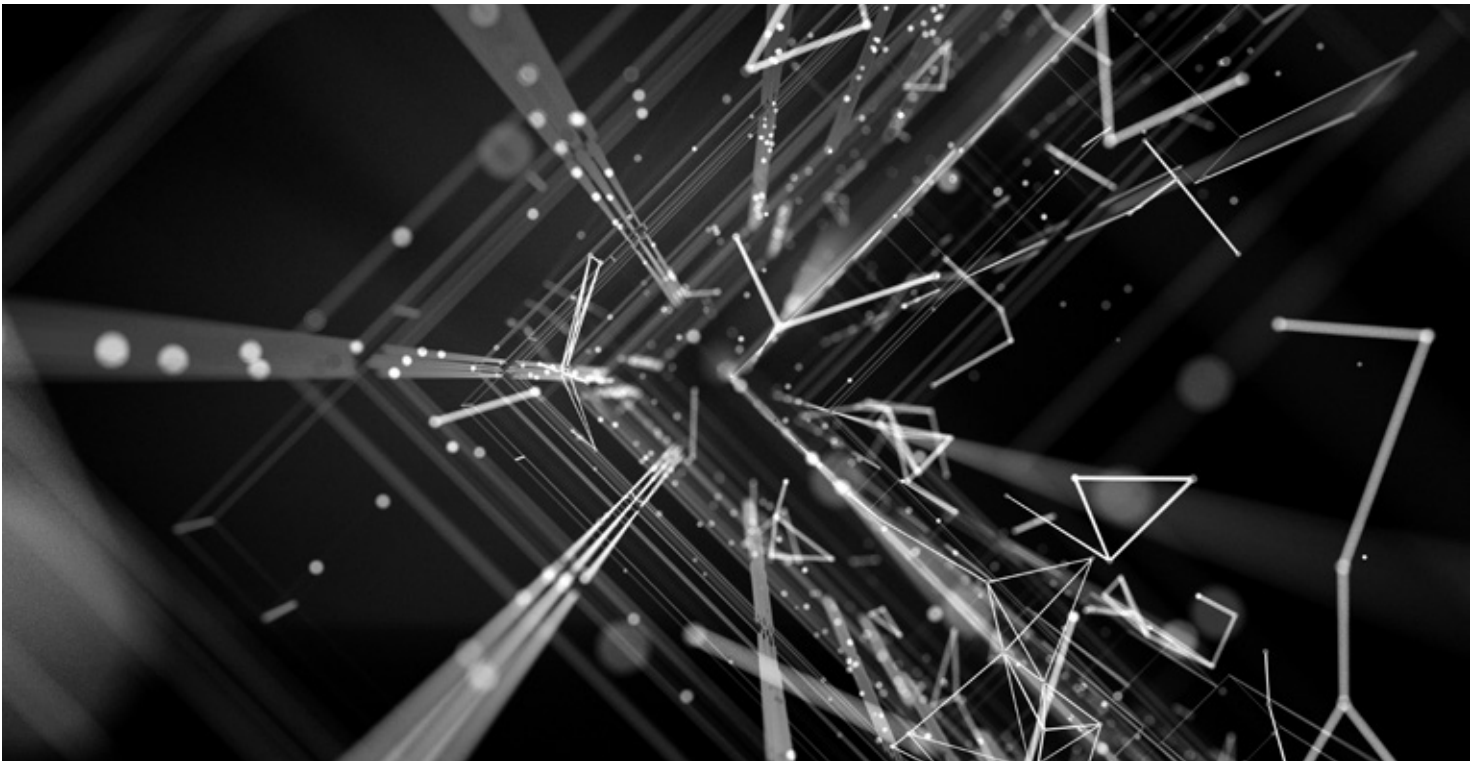
Businesses will have to review how they balance social distancing and maximising density of office space to keep their staff healthy. Some may finally implement more flexible working arrangements as it has been clearly proven that remote working can be effective. This feature has been requested by working parents and millennials alike and companies willing to adopt this measure may be the employer of choice.

These changes to working practices are also likely to impact organisations ability to innovate. If we consider that R&D functions typically designed their offices to increase random meetings and mixed departments together to increase cross departmental interaction and foster collaboration. How can those serendipitous meetings occur if they are physically separated? Will there be tools to help create those random

encounters if a greater proportion of staff have to work remotely? If split teams become a permanent feature, this will no doubt have an impact on the ability to generate "random" collaboration and innovation. Digital transformation has a key role to enable organisations to retain innovation and relevance while supporting a likely change in how organisations function.

There have been some fantastic examples of leadership through times of challenge, there have also of course been some less than effective instances. But remaining positive, those who embrace the values of empathy, collaboration, honesty and trust are emerging as positive role models for their organisation and the wider business community. As we emerge from the pandemic, similarities are starting to be drawn to the recovery post the 2009 financial crisis, where those businesses who emerged with a strong employee proposition were seen favourably by both current employees and future talent.

It is of course too early to suggest that a similar trend will be seen, especially given the likely impact on organisation size, something which emerged through the research, but looking beyond the data, there are emerging signs that for many, the way in which they have been supported by their organisations will have a lasting impact on whether they remain loyal or look for opportunities with those business who have managed the human element well.



Looking into the Future

The situation continues to evolve rapidly, with many cities and countries re-introducing lockdown restrictions due to further spikes, and this uncertainty makes it particularly hard for organisations to plan for the future.

The following are some likely predictions as to the potential future direction of travel;

- **Accelerated pace of digital transformation** – As mentioned earlier, the speed in which organisations have had to move to a world of virtual working and the agility which this afforded them has, in parts proved that business can operate in a more agile and flexible manner, without impacting its ability to remain operational efficient. This pace of change is likely to accelerate as businesses consider how they enable their employees to better serve their customers and clients, drive value from their supply chain and increase profitability. This is likely to lead to an increase in the levels of investment which is made into technological intelligence, either through the investment in tech driven human platforms, or through Artificial Intelligence.
- **Organisation structural re-alignment** – Organisations are recognising the potential efficiencies which can be driven from managing a remote workforce. Although of course this is likely to be a double-edged sword; with on the one-hand, businesses looking to reduce head-count through business rationalisation, and on the other-hand, seeing the re-alignment as an opportunity to reframe their operating model and diverting resources to the more profitable parts of the business. On this latter point, it is likely that the employee experience will become more important to businesses as they seek to retain, develop and acquire the skills and talent to satisfy the future operating model and maximise business opportunities.
- **Leadership changes** – Covid-19 has created an unprecedented leadership challenge, not often (if at all) seen in modern times. For some this has been a successful passage in their leadership careers, for others less so. It is likely that these successes and failures, will result in a shift in the boardrooms of many organisations, both at regional and MNC level. This shuffle of the C-suite pack will present opportunities for organisations to attract the services of those who overcome the challenges presented by Covid-19.
- **Legislative changes** – At this most basic level, the substantial growth of the e-commerce business has already resulted in localised legislative changes, this is in-part due to government imposed interest as it is to do with the regulation of a commercial sector. However, it is likely that Covid-19 will have far further reaching implications for the way in which organisations operate and the way in which they are legislated. An example of this could come in the way in which fly-in fly-out / rotation employee contracts are accounted for.

“This is a moment for not looking back – a game changing event where every business is changing the way in which they work – the size and extent of the change though remains less clear.”

Group GC, Construction, Asia

In conclusion

The word unprecedented has been used almost continually during this year to describe the world we are currently living in. Business leaders have needed to stand up, make some brave decisions and admit the failings of the organisations they lead, yet the world continues to operate. Of course we need to be mindful of the impact of further waves and the business world will watch as markets react to the impact of these. As for the future?

What we remember about this passage of time will be as much about the resilience, and tenacity of business as it will be about political reactions. Taking a moment to reflect not only on the current business but those around us will prove invaluable to ensure that should we be faced by such a challenging environment again, business continuity plans can be dusted off, revisited and re-used.

The business world is at a critical decision point, it would be easy to simply turn left and revert to what was; but to turn right, and direct efforts to embrace a world where agility and pace goes hand in hand with ambiguity and risk could, for those prepared to take it, result in new or alternative opportunities.

Finally, what emerged from these discussions was a growing level of optimism that there is light at the end of the tunnel, but it is also inevitable that this optimism will not be shared by all businesses as the true cost of the pandemic is realised in the times ahead.

What the next normal will look like, whether business will indeed take the opportunity to change direction or revert to the previous norm remains unclear. However there is a sense that the business world is gearing up for what feels like a ‘Race to the Start Line’ and emerge ready and capable to deal with the opportunities of life beyond the pandemic.

Thank you to those individuals from across Asia, the Middle-East and Europe who shared their candid views, aspirations and concerns which contributed to the paper.

The research reflects views from businesses covering Airport Operations, Ship Operators, Ship Management Companies, Logistics Companies, Finance Sector, Insurance Sector, Construction, Big Tech, e-Commerce, Start-up Incubators, Mining Operators, Pharmaceuticals and Independent Consultants.



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