

European Audit Committee Leadership Network

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EACLN

VIEWPOINTS

Restart and recovery

Even as the coronavirus continues to pose a serious threat, governments around the world are trying to ease restrictions and boost their economies. In this new phase, companies are ramping up operations, focusing not only on the immediate need to bring back production and sales but also on longer-term strategic considerations. In a series of virtual meetings in April on the unfolding crisis, Tapestry's networks of audit committee chairs and other board leaders began to explore this restart and its challenges, asking how it could be implemented safely and effectively.¹

Members of the European Audit Committee Leadership Network (EACLN) revisited this broad question in a virtual meeting on 19 June 2020. They were joined by David Storey, EMEA workforce advisory leader at EY.² *For a biography of Mr. Storey, see Appendix 1, on page 8; for a list of all meeting participants, see Appendix 2, on page 9.*

Executive summary

Several themes emerged from the discussion, which addressed operations, strategy, and board processes:

- **Companies are alert to the challenges of remote work** (page 2)

Bringing employees back into company facilities is a complicated task. The necessary policies and protocols make for an experience that is very different from the one employees might have enjoyed before. Even as the crisis subsides, remote working will continue to a significant degree at many companies. However, Mr. Storey and the members pointed to challenges that could surface over time, as the long-term sustainability of the model becomes clearer. Some fear that company culture could slowly erode, particularly as relationships wear thin and new employees join. Several members mentioned the use of frequent surveys to monitor the situation, though they acknowledged that major decisions cannot be based upon survey data alone.

- **Strategic initiatives are under review** (page 4)

Though the crisis has put a strain on many companies, some boards see opportunities to accelerate existing strategic plans. The changes sparked by the pandemic also raise the possibility of entirely new initiatives. Mr. Storey urged companies to think creatively to ensure they leverage the new flexibility to reimagine work. Some EACLN members also noted a recent trend toward a more holistic discussion of the purpose and values that ultimately drive strategy.

- **Board processes are changing** (page 5)

Members touched on how board processes are changing in response to the constraints imposed by the pandemic and the new demands on board oversight. They noted the value

of video meetings for keeping directors engaged, but some recommended that these meetings be shorter and more frequent. Some also saw a shift in the role of the board as it seeks to support management in this time of crisis.

For a list of discussion questions for audit committees, see Appendix 3, on page 9.

Companies are alert to the challenges of remote work

Ramping up operations again is not simply a matter of returning to the way things worked before the crisis. With the coronavirus still circulating, new practices are being implemented to protect employees and the public. Despite the success of remote working during the initial phase of the crisis, measures are needed to ensure continued productivity and employee well-being. These changes put a strain on employees and the organizations that employ them. Mr. Storey noted, *“Organizational resilience has increased, but we’re still dealing with personal vulnerability. As we go forward, these two will not always match up exactly.”*

Achieving a successful return to the physical workplace

Companies are carefully assessing how to bring employees back into company facilities safely. EACLN members emphasized that employee well-being is the highest priority. They reflected on the implications of workplace changes for employees and the organization. *“I don’t think the return to the workplace under the present conditions is a return to the previous normality,”* one member noted, adding that the new environment will entail new kinds of difficulties. While the isolation may be less severe as more colleagues return, other issues will persist.

Indeed, the policies and protocols required to keep employees safe in the workplace may make the experience there quite different from the one that employees might have hoped to enjoy upon their return. Health screenings, social distancing, and hand-washing regimes, among other measures, will likely be part of the daily routine.

Mr. Storey highlighted the challenge of deciding what groups to bring back, when and at what risk. This entails determining who is essential, what is permitted by regulations, and what is feasible or safe for individual employees: *“How do you decide what is critical, possible, and preferred?”*³ He noted the delicacy of the situation: safety measures are a nuisance, but they build trust and a sense of security, which are also necessary for a successful return.

Supporting continued remote work

Among employees who have a choice, many may ultimately prefer to stay at home, a member suggested: *“People are used to working from home, and there’s a reluctance to commute and deal with the office environment.”* Directors across all of Tapestry’s governance networks have noted that the sudden shift to remote working went surprisingly well. Part of the reason was that many companies had already made the requisite arrangements required for remote work. *“Things had been put in place, so it was smooth during the crisis,”* an EACLN member explained. While obvious challenges immediately surfaced, such as the presence of spouses and children now also working or studying from home, most workers found ways to cope, at least in the short term. Given the difficulties of bringing people back to the workplace—and the

cost savings of not doing so—remote working is likely to continue to a significant degree, even after the crisis subsides.

However, members and Mr. Storey agreed that additional challenges of remote working may emerge over time, as it becomes clear what tasks are harder to accomplish remotely and what kinds of capital are slowly being dissipated. They identified several emerging issues:

- **Some activities are easier to perform in person.** Employees are discovering that the success of certain tasks is facilitated by more face-to-face contact. *“Some people are eager to come back, but in a controlled way for specific tasks: developing long-term plans, strategy, leadership teams,”* a member said. Relationship building in general may depend on at least some in-person interaction, as Mr. Storey suggested: *“What is the ‘half-life’ of in-person relationships in the virtual working world? At what point do those relationships wear thin?”*
- **Company culture is harder to maintain remotely.** Members raised the issue of how you nurture the company culture in a remote work environment, particularly as new employees join. *“If you bring in lots of new people, how do you culturize company standards of doing business?”* a member asked. EY’s Julie Teigland said that nurturing culture will require incremental effort: *“There has to be a comprehensive look at how we build culture. As we virtualize technical training, we’re also investing in the future of soft skills and training to build that culture. We’ll pivot our investment to the culture.”*
- **Employees may burn out.** Members also raised concerns about employees’ inability to disconnect from work as remote work persists. *“I’ve seen 24/7 work, every day, all the time. Not sure how that’s happened. It needs to be corrected; it can only create stress. I’ve seen it from top management and operational management.”* a member said. Mr. Storey made a similar observation: *“The surprises with productivity are leading to new concerns about people’s psychological well-being as employees become tired in what could be a long ‘new abnormal,’ ie. chronic stage of crisis.”*

Members described a focus by their companies on helping workers who are at home cope better. One member said, *“We are implementing much more thoughtful policies on working from home. How do you deal with being in the same place? You need to take walks to get out of the building, go out and come back, to avoid sitting in the same place [all the time]. We are ensuring also that we have the right working tools and working environment, in terms of desks, chairs, computers.”*

But the same member also marvelled at how tasks that would seem to be very difficult to accomplish remotely can sometimes be completed successfully, citing examples of executives who joined during the lockdown: *“They did amazingly well getting in touch with their teams completely virtually. You would think that would be impossible. We shouldn’t generalize too much about touch and feel. It’s specific to what needs to be done. In one of these cases, it was better than traveling the world to meet teams.”*

The various implications of working at company locations versus working at home will necessitate careful analysis of how to structure the overall work environment, spanning the

office, the home, and other locations. The best arrangement will vary by company, and multinational companies may find that arrangements will differ by geography, even within the company.

A permanent move to more remote work will not necessarily entail a corresponding reduction in overall office space requirements, but it will likely change how companies use their space. Mr. Storey explained, *“It’s not just about how much work activity should stay remote, but also about the new role of the office as we go forward in a hybrid work mode. Further degrees of remote work may lead to cost savings on real estate, but it can’t just be about less people using less space the same way – many companies are looking to recreate office space to encourage team interactions, innovation, learning, and informal gathering.”* He pointed to a company that is planning to go to an almost entirely remote workforce: *“They’re not looking at cutting out their real estate but transforming it. They see the office of the future being conferencing and collaboration space.”* Considering the organization of work more broadly, he noted that the focus should be on flexibility and employee experience.⁴

Tracking progress

It is essential to track and assess the rapid and dramatic changes underway as they unfold at all levels of the organization. Several members mentioned the use of surveys to monitor the status of employees and their activities, especially pulse surveys—short, frequent check-ins that track key variables at regular intervals.

Mr. Storey cautioned against overreliance on these aggregate pulse surveys in this new and completely unprecedented environment. *“The polls are not sophisticated enough, not personal enough,”* he argued, and the answers they glean may change as contextual variables keep shifting according to the stage of the epidemic and our responses to it. For example, people who have been isolated at home for months may say they want to return to the office. However, as restrictions ease and they can visit more with friends and family, their need for more social contact may be satisfied, lessening their desire for time with colleagues. *“Yes, they are indicators, but making bold long-term decisions based on pulse surveys takes on a fair amount of risk,”* Mr. Storey said.

Strategic initiatives are under review

Strategic priorities and the ability to consider longer time horizons vary dramatically by company and sector. For companies that have seen massive drops in revenue, it may not be the right time to launch new strategic initiatives; EACLN members noted that capital expenditures were coming under scrutiny at many companies. At the same time, several members also cautioned that an intense focus on managing through the crisis and resuming operations should not distract the leadership from strategic issues, including the strategic implications of the pandemic. They highlighted two issues that the response to the pandemic has brought to the fore:

- **Should existing strategic initiatives be accelerated?** A member explained, *“I think the question is, What within the existing strategy can or should be accelerated? If we accomplished in three months what would have taken three years, what else should we*

accelerate? Decision-making has been quicker and hopefully more effective than before.” Another member agreed, noting that this acceleration is being driven by both the necessity of moving faster and the emerging new capabilities that are making it possible. *“Everything points to companies moving more quickly, driving more change internally. Most of it was mapped out, but it will happen faster. You’ve got to run faster to stay in place.”*

- **What fresh strategies should be implemented?** Mr. Storey said that the lessons learned from the response to the pandemic also raise the question of how strategy should be transformed going forward. He suggested that companies think creatively about how to take advantage of their newfound flexibility: *“We’ve managed something extreme, but how do we make sure that future change and transformation continue to be about revolution, not evolution?”* he asked. He underscored the fluidity and uncertainty of the current situation in terms of rapidly advancing technology and shifting employee preferences. Adaptability is key as companies move forward.

Ms. Teigland discussed an emerging evolution in the values that ultimately drive strategy: *“Looking more broadly and holistically, we notice from a customer perspective and market perspective, looking beyond the crisis, that things are moving from a short-term focus on growth—which we’ve known from the ‘50s—to a different economy that values quality over growth. We notice this is how employees are talking and how clients are talking. Digital is highly valued; so is embracing purpose, transparency, and long-term value.”* In a premeeting call, one member brought up a similar idea: *“What about using the opportunity to achieve sustainability impact, maybe going back to something different than before?”*

Board processes are changing

EACLN members touched on how board processes are being modified in response to both the constraints on personal interactions and the new demands on board oversight. One issue they raised was the challenge of understanding what exactly is going on within the company. *“We’re reliant on reports from management and staff pulse surveys. Are there any other practical tools?”* one member asked.

Other members offered suggestions. *“On one board, I’m about to attend town-hall meetings virtually. I’ll sit in on five or six in the organization, which I’ll choose as low down on the tree as I can. I’d like to get shop-floor views of how people are dealing,”* one member said. Another said, *“When it comes to feedback, I would add that if you have union representatives on the board, use them. They’re normal board members in that way. They have been immensely helpful in getting the right things in place.”*

Regarding the board meetings themselves, which are still remote for the time being, members noted the value of video. *“When the cameras are on, you have a better connection,”* one member explained. Another agreed: *“It makes a huge difference, keeping colleagues active on those calls.”*

At the same time, long video calls can be tiresome, so some members suggested breaking them up into shorter sessions, scheduled more frequently. *“We’ve broken the eight hours into three hours in the morning, followed by a decent break, and then more hours in the*



afternoon,” one member explained. “Breaking it up gets full engagement. On some of my boards we have a one-hour call weekly to stay close [to management].” Despite the absence of dinners and other more informal encounters, the member noted, the intensity of the dialogue among board members and with management has been high. It has also been supplemented by more one-on-one interactions.

Some members saw a shift in the role of the board as it seeks to support management in this time of crisis. *“I’m increasingly trying to focus on being the chief cheerleader. It’s a board role, not just a personal one. It’s the board’s responsibility to thank and praise people,”* a member said.

Conclusion

After months of taking extreme measures to combat the coronavirus, companies are adapting to a new normal, addressing not only immediate imperatives but also longer-term considerations. They are reviewing the overall work environment—spanning the office, the home, and other locations—to identify the best arrangements for ensuring both the safety and productivity of their employees. They are also reviewing their longer-term strategies to understand which of them should be accelerated and what fresh initiatives look promising.

For boards, these efforts and the ongoing restrictions imposed by the pandemic have prompted new ways of interacting and new questions to ask. As EACLN members and Mr. Storey underscored, the crisis has presented opportunities as well as problems. A key challenge, they noted, is the ongoing uncertainty about how things will play out. In this environment, the ability to adapt on the fly is critical. Reflecting on how best to move forward, Mr. Storey said, *“I think it’s got to be based on a continuous experimental approach. Nobody knows [what will happen], and if they say they know, they don’t.”*

About this document

The European Audit Committee Leadership Network is a group of audit committee chairs drawn from leading European companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is organized and led by Tapestry Networks with the support of EY as part of its continuing commitment to board effectiveness and good governance.

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

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Appendix 1: Guest biography

David Storey is a Partner in EY People Advisory Services. He is London based and splits his time between consulting on workforce issues within the Financial Services sector and being the EMEIA Workforce Advisory Leader. He is frequently asked to talk on the Future of Work and is a Board member of the Financial Services Skills Commission.

David joined EY eight years ago as part of EY's acquisition of Resolve Group, a collection of strategic human resources consulting companies that he co-founded and led for 14 years in South Africa. Prior to starting Resolve he consulted independently after years in student and community based anti-Apartheid activism.

Appendix 2: Participants

The following EACLN members participated part or all of the meeting:

- Jeremy Anderson, UBS
- Werner Brandt, Siemens
- Julie Brown, Roche
- Carolyn Dittmeier, Assicurazioni Generali
- Eric Elzvik, Ericsson
- Edgar Ernst, TUI
- Byron Grote, Tesco, Akzo Nobel, and Anglo American
- Margarete Haase, ING
- Marion Helmes, Heineken
- Liz Hewitt, Novo Nordisk
- Arne Karlsson, Mærsk
- Dagmar Kollmann, Deutsche Telekom
- David Meline, ABB
- Hanne de Mora, Volvo Group
- Marie-José Nadeau, ENGIE
- Sarah Russell, Nordea Bank
- Guylaine Saucier, Wendel
- Erhard Schipporeit, RWE
- Carla Smits-Nusteling, Nokia
- Alan Stewart, Diageo
- François Thomazeau, Bolloré

The EY organization was represented in all or part of the meeting by the following:

- Marie-Laure Delarue, EY EMEIA Financial Services Banking and Capital Markets Leader
- Julie Teigland, EY EMEIA Area Managing Partner
- Jean-Yves Jégourel, EY EMEIA Assurance Leader



Appendix 3: Discussion questions for audit committees

- ? What are the challenges of protecting employees? What kind of plans are in place for responding to a second wave of the pandemic?
- ? How feasible is a more permanent shift to remote working? What are the opportunities and risks of moving to a smaller real estate footprint?
- ? What kinds of strategic lessons can companies glean from their efforts to maintain operations during lockdowns?
- ? How are companies reassessing and modifying strategic initiatives that were planned before the crisis?
- ? How have board processes changed? How frequent and lengthy are meetings, and who participates?
- ? To what extent are you finding it more difficult to hold tough conversations or address problems in an environment that is not only virtual but also stressful for managers at every level?
- ? In what ways is the role of the board shifting? How is the line between board oversight and management being negotiated?

European Audit Committee Leadership Network



Endnotes

¹ Tapestry Networks, *Board and Audit Committee Oversight of COVID-19 Pandemic Response and Recovery*, ViewPoints (Waltham, MA: Tapestry Networks, May 2020).

² *ViewPoints* reflects the network's use of a modified version of the Chatham House Rule whereby comments are not attributed to individuals or corporations. Quotations in italics are drawn directly from conversations with network members and other participants in connection with the meeting.

³ For more detail on managing the return to work, see David Storey, Markus Heinen, and Tricia Nelson, "[Why Employee Trust Is Critical for a Safe Return to Physical Workplaces](#)," LinkedIn (blog), May 19, 2020.

⁴ For more detail on the reorganization of work, see Liz Fealy, David Storey, and Stephen Koss, "[Work Reimagined: A Two-Geared Approach to Reopening and Transforming Your Business](#)," EY, May 21, 2020.