



## ARTICLE

# THE ROLE OF CEOS AMID THE COVID-19 PANDEMIC

HOW TO OVERCOME THIS  
CRISIS AND GUARANTEE  
COMPANY SUSTAINABILITY  
DURING THE PANDEMIC

Madrid, 8 April, 2020

## LISSEN. THINK. ACT.

A CEO's responsibility always implies a challenge.

*"Whenever there is a challenge, there is also an opportunity to face it, to demonstrate and develop our will and determination." – Dalai Lama*

Making an organization sustainable is hard to execute, but easy to conceptualize. You only need to be capable of delivering a proposition that creates value for your key stakeholders.

For this to be possible, CEOs must support a purpose, a vision and values that clearly express the company's DNA, all in line with the relevant actors. They must also find a clear playing field to provide the limits of their strategy, developed to satisfy—as much as possible—the needs of each one of the organization's key stakeholders.

Understanding the company's ecosystem and the sector's megatrends allows CEOs to create and share a roadmap with the individuals who must follow it. This lets them obtain the desired short- and long-term results.

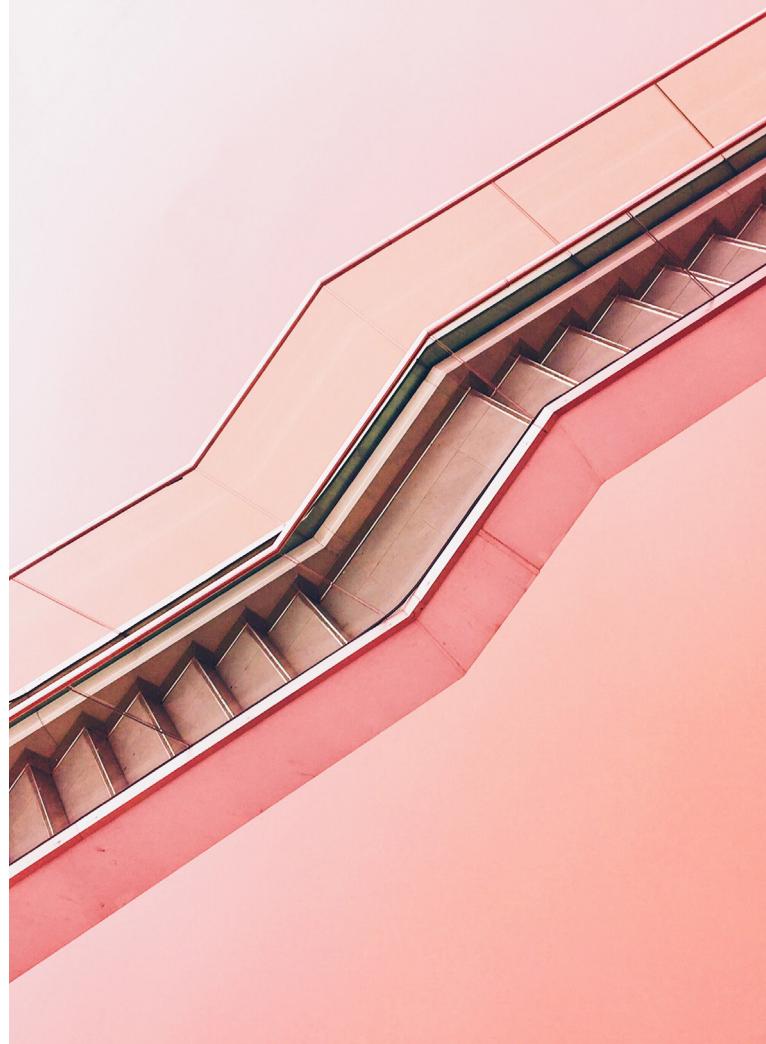
**"Understanding the company's ecosystem and the mega-trends to adapt to allows CEOs to create a road map."**

## THE COVID 19 EARTHQUAKE

We were all tirelessly pursuing our goals when this disruption hit. An unforeseeable, external agent has suddenly changed everything, with implications ranging from the obvious health issues to the emerging financial difficulties. Furthermore, there are still social consequences expected to arise in the next few months.

What should our priorities be within this context, so as to best weather this crisis, and perhaps find our own silver linings within it? Minimizing damage is no longer enough. What company owners expect from their CEOs is for them to not only sail through this storm, but also be able to come out of this situation stronger, with value created.

It seems logical to think setting a good management system in motion would suffice, taking into account the current scenario's specifics when possible.





## HOLD ON TO YOUR PRINCIPLES

Focus on maintaining your purpose, vision and values. Betraying them during the pandemic might create value in the short term, but your stakeholders will lose trust in you if they see your focus and character change when facing a difficult situation.

Purpose helps companies maintain their raison d'être as they implement new, often rushed, measures. Purpose will be key to helping the teams act accurately. Now, millennials have joined the market as consumers, employees, suppliers and even shareholders. They seek to be part of something bigger, leave their mark in this world, and make positive contributions.

Knowing why your company exists, who its people are and how they do things will help forge bonds with those who can support you in remaining sustainable. Keeping these ideals at the center of your organization and your communications with clients, employees, suppliers, citizens and shareholders will help build a better connection between them and your own projects and company.

The companies reacting best to this situation are those that are basing their decisions on their purpose and values. Following your North Star will lead you to a safe harbor.

**“Knowing why and for what your company exists, who its people are and how they do things, will help forge bonds with those who can support us in making our activity sustainable.”**



## LISTEN TO YOUR STAKEHOLDERS

Their priorities have probably changed too. Watch them carefully and adapt your strategy and action plan to offer them value. Clearly respond to their new needs to strengthen your relationships with them in these challenging times.

Prioritize your stakeholders during this crisis. The goal is to keep them all at least moderately satisfied, but it is also true that, under such extreme circumstances, you must establish an order of priority to help you make clear decisions. In times like these, clients, employees and financial suppliers are crucial. Once their priorities have been managed, you can devote time to managing your goods and services, citizens and shareholders.

We need to think about the crisis' effects on **globalization** management, a global problem that requires integrated solutions; **self-management**, which has been boosted by the necessary shift to teleworking; productive processes and information automation, which has leapt forward; use of **technology**, where we have seen increases in communications and 3D printing; the **sharing economy**, with voluntary work resurfacing as a solution; resource **scarcity**, particularly regarding health equipment, medicine and staff; **regulation**, which has increased in many countries around the world to respond to COVID-19; and political and socio-economic **uncertainty**. These are just some of many variables that should be taken into account.

## UNDERSTAND THE EFFECTS OF COVID-19 ON MEGATRENDS, AND LEVERAGE THEM

This pandemic, as terrible as it is, has created an opportunity to accelerate your transformation plan to better align with megatrends. Reflect on how COVID-19 has accelerated global change, and identify where your company can find a silver lining.

## ADAPT YOUR STRATEGY WITH CONTINGENCY PLANS FOCUSED ON WHAT'S IMPORTANT

**Protect your cash flow.** You will drown without liquidity. Ensure collection and payments. Eliminate all superficial expenses and work on a new zero-based budget that allows you to reassess senseless spending in this new scenario. Externalize costs and plan for risk variables in such a way that, if there is no income, there will be no costs. Seek funding to guarantee the necessary liquidity for your activity.

**Find Funding.** To do this, your financial forecast must go beyond accounts payable and receivable. Make future projections based on balance sheets and a rolling fund to understand the impact on your liquidity, as well as the amounts and times to be financed. Be cautious, and ask for more money for a longer term than you think you will need. Cancelling a loan beforehand is easier than requesting more money or deferring payments later.

**Let others help you.** Any help is appreciated, no matter how small. These days, we are seeing proposals for deferred debt payments, financial aid, more flexible work contracts, more lenient collection deadlines by big companies, tax payment postponements, contractual condition negotiations and more. In uncertain times, seize each of these opportunities, protect yourself as much as possible and accept any help you are offered, as little as it may seem.

**Plan your post-crisis.** Define the crisis' impact on your sales. Are these sales recoverable once this is all over, or are these real loses? Defend your prices for the post-crisis era, and do not make the mistake of competing in prices only to wind up destroying value. Going back to the market in a good competitive position will depend on your actions, and omissions, during the crisis.

**Focus on your clients.** Call them, try and understand what is happening with them, ask them what they expect from you and what you can do to help. Clients still have needs, even during isolation, so show them how you can adjust your offering to their new situation. Now is the time to show you support them and are

on their team. We need sales to survive, and we need to build a strong foundation to help them recover as soon as possible. Adjust your offering and communicate this change so your clients know about it and can share their point of view.

**Take care of your team.** Your people make the company work, and their priorities have gone back to basics: Health first, then having the necessary income to get through the crisis, followed by job continuity and, finally, feeling like a part of the company that is acknowledged and close to the purpose. Prioritize these elements, and you will be able to engage them.

**Cooperate with your suppliers.** Behind every organization is a value chain, be it more or less extensive, that makes everything possible. You must cut costs and eliminate expenses you cannot afford, but in this context, you must also maintain a healthy relationship with them. Listen to them closely, explain your situation and agree on solutions to minimize damage to you both.

**Get involved with citizens.** The reputation you create during this crisis will be a relevant asset in the recovery period. Think of what your organization can do to be a part of the solution, then do it. Companies are corporate citizens that must be involved in the crisis and work to solve it.

**Be clear with shareholders and investors.** If you want them to strengthen their commitment to your organization, you must learn how the current situation has affected their expectations. Once you understand this, be clear about your company's reality, your contingency plans and your post-crisis plans. Any and all investors are entitled to know about these plans, and they will appreciate reliable information and a medium-term vision.

## **“Adjust your offer and communicate it so that your clients know about it and can contribute with their point of view.”**

**Look inside.** Analyze and activate all your capabilities. Carefully diagnosing the situation and focusing on maximizing your capabilities while minimizing costs will allow you to emerge from the pandemic and focus on a quick recovery. Everything else can be questioned and reoriented, as long as you keep your organization's principles intact.

**Refocus your management and be agile.** A sense of urgency is crucial. Everyone involved should understand that quickly reacting to challenges and focusing on continued business in the long-term is key.

**Learn from this.** Going through this process will allow you to gain new knowledge and obtain a better understanding of both your organization and the people in it. Include what you learn here this your daily work, and share the need to learn from the process with your team.

**Innovate.** Change is the most effective source of innovation. The more abrupt a change is, the more opportunities for disruption you see on every level. There will likely be innovations in business models, ways of working, use of technology, third-party partnerships and more. Use this time to incorporate innovation into your recovery roadmap.



**Take care of your brand.** The image stakeholders have of you is an asset that can prove very valuable during any crisis. What you do, how you do it and how you communicate it are all very important facets that should be understood by the right people.

**Legal guarantees.** Review your existing agreements with clients, employees and suppliers to learn about all the options you have to share risks, as well as about your organization's rights and obligations. In the case of an issue, negotiate terms for delivery, payment and collection due dates, service characteristics, etc., before breaching any agreement or creating conflict.

**Lead with trust.** This intangible asset cannot be found on your company's balance sheet, but managing it is key to ensuring your stakeholders will help you get through this situation and quickly recover post-crisis. Managing trust is vital, and for that, you must exercise leadership on the board of directors and organize your storydoing and storytelling around proximity and responsible behavior.

**Communicate.** There are many people paying attention to your organization. They want to know what will happen with their products, services, jobs, orders, loans, etc. They want to know what the company is doing, and there is no one better than the CEO to talk about it.

**“What you do, how you do it and the way in which you communicate it is very important and should be understood by the right people.”**

## HOW TO INVOLVE YOUR STAKEHOLDERS TO EMERGE FROM THE COVID-19 CRISIS STRONGER THAN EVER

**Crisis.** According to the Merriam-Webster dictionary, a crisis is "an emotionally significant event or radical change of status in a person's life."

From an Eastern philosophy perspective, this concept is represented by a combination of the characters for "danger" and "opportunity." One of the keys to quickly renew yourself after this crisis is managing it as an opportunity, not just a tragedy.

Therefore, it is important to create and maintain key stakeholder relationships based on finding a collective solution and seizing the moment to fully convey your company purpose.

With this goal in mind, here are several recommendations:

**Management and culture.** Is suffering equal to growing? Not necessarily. It depends on how organizations manage a situation and what their previous culture is. Regarding management, we have already seen how some sacrifices must be made in order to emerge from this crisis stronger than before. The question is whether your organization is ready and willing to make them. Regarding existing culture, you have little management capacity; culture evolves very slowly. That said, you must quickly assess what type of culture exists and see whether it will help you emerge from the crisis or not.

**Know your culture.** Your organization's culture will be exacerbated by the crisis. If you have an optimistic organization, it will quickly start working on a solution and seek to discover hidden opportunities. People will work with energy, excitement and commitment. However, if yours is self-defined as an informed, realistic organization, it will manage the situation by minimizing risks out of fear, whether it be fear of not weathering the crisis, changing conditions or losing their jobs. You cannot change it now, but you must be aware of it in order to understand your management context.



**Face the crisis.** Do not dodge it, do not deny it; just accept it and go for it. To do this, there are three key pillars. First, you must minimize the impact. Second, correct everything that does not seem to work to get it back on track as soon as possible. In the short term, quick reactions help keep teams busy and active. Third, you must change your focus, modify your perspective and find new solutions to exit the crisis quickly. You need a solution roadmap to share with everyone in the company. This helps your people feel as though they are working to overcome the crisis instead of focusing on perceived damages.

**Bring out the best of your organization.** Help your people understand that they are better than they think. Set challenges and constantly remind them of the organization's purpose. Define

specific targets to help overcome the crisis. Bring out all their knowledge, capabilities and skills, then make them put them into practice. Everyone is contributing and everyone is important—and they should feel that way. Help them get there so they can prove to themselves how valuable their contributions to the company are.

**Create bonds.** Now is the time to create partnerships, unite people and strengthen their ties to one another. Times of crisis truly clarify who really contributes and who does not, who acts as the driving force behind your organization and who is a burden. Seize this opportunity to reinforce bonds with all your stakeholders and build rapport with them, as they will be the ones helping you out of the crisis. Once this is all over, you will need to acknowledge and reward those who really went the extra mile, differentiating them from those who only did the bare minimum.

**Choose your priorities without losing your essence.** Putting things in order and making choices is the CEO's job. In times of crisis, where decisions and changes happen at a dizzying pace, you must be clear about your short-term priorities while keeping your long-term goals in mind. Passion is ignited when these goals are really fulfilling, so try to avoid the kinds of urgent "survival-mode" reactions that can turn your company into a soulless structure with no purpose or passion.

**"Seize this opportunity to reinforce the bonds with all your stakeholders, and build rapport with them, as they will be the ones taking you out of the crisis."**

## COMMUNICATE

It may sound obvious but, in times of sorrow, individuals—as social beings—need to communicate, connect and maintain their bonds.

This is why it is necessary to communicate, have conversations, listen and deliver your messages in clear, responsible ways. This is true for both individuals and companies. With this in mind, below are five best practices to help you achieve this.

**Listen**, observe and understand the situations of others. Knowing and embracing them will make your communications more relevant and effective.

Speak only when you have something **relevant** to communicate. We are currently surrounded by noise, some of which is unnecessary and some of which is even negative. Relevant messages, however, are very much appreciated.

**Clarity and brevity.** With so many messages out there, brevity becomes the soul of wit. Whatever you say must be easily understood, and your message must focus on the essential.

Be **consistent**. Communicate what you are really doing, do not make promises and do not create expectations you cannot fulfill. Your communication channels should focus on real facts.

5. Portray a **positive attitude**. In harsh times such as these, CEOs must try to be a source of joy and optimism. Send positive messages. Do not lie or sugarcoat reality, but share hopeful messages with those around you. This will encourage them to become more involved in your plans.

### And then, what?

There is no way to resort to a crystal ball and become a fortune teller, but general consensus indicates that this global crisis will have economic, social and political effects all over the world.

CEOs will soon be asked about their companies' futures and the main focus shifts in business

models. This may be premature, but we can begin with changes related to the structure of **globalization** itself. This is due to the fact that many countries will want to repatriate critical value chains and knowledge and research centers that had been transferred abroad for the sake of their economies.

Changes in **geopolitics**. China leveraged the crisis and will emerge from it stronger, both politically and financially. The U.S. reacted late, but its economic power might turn its reactivation plan into the most powerful of them all. Europe is still in a maze, and the differences between the region's North and the South are blocking actions. Once again, they will miss the train.

**Economic protectionism** will likely rise during the economic recovery phase. Governments will want to lead societies and position them as role models of this new era, which carries the risk of going back to old formulas.

Citizens have experienced the dark side of **populistic governments** and they will likely hold experts and **technocrats** in high esteem in the following democratic cycles. Regardless of their political affiliations, citizens may value the presence of better administrators in roles of greater responsibilities. And this will also affect companies.

**“Always anticipate. But first you need to generate the right culture in your business ecosystem.”**



### Conclusions

All CEOs are currently facing a challenge. They can see it as a risk and focus only on minimizing damage, or they can treat it as a somber opportunity, devoting every effort to maximizing the value creation in their companies.

The world will change, and we need to be one step ahead of the game. Fully leverage this shift, surf the wave to fulfill your duties as CEO and bring your company to a safe harbor.

To this end, you must be familiar with reality and listen to the key actors involved in your business. You need think hard and find the best roadmap, sharing it with your leadership to get everyone on board.

To fully deliver your message, you must communicate your purpose, highlighting your storydoing and values in a clear, transparent and proactive manner. Now is the time to engage your key stakeholders and move forward together.

It will not be easy, but it will be interesting.

**“The world will change and we need to be one step ahead of the game. Fully leverage this shift, surf the wave to fulfill your CEO duties, and to bring your company to safe harbor.”**

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