

Beyond Keeping the Lights On

How Industrial Sector P&L Leaders Are Handling COVID-19 Challenges

By Andrew Vivian, Satya Thakur, and Phoebe Lewis

Senior P&L leaders have a crucial role to play in the COVID-19 crisis. On one hand, they are the ones who are accountable to their CEOs and the Board for “keeping the lights on” in the business. On the other hand, they are the ones on the decision-making front lines of their businesses, making and implementing extraordinarily difficult choices within their own employee footprint and business scope, and with regard to their suppliers, customers, and business partners. To find out how they are tackling these challenges, Egon Zehnder hosted a virtual meeting with senior divisional CEOs and P&L leaders from the industrial sector in Europe.

Four major themes emerged from our gathering:

- Immediate priorities
- Short term vs. Long term
- Personal leadership and role-modelling
- Mental health

Current Concerns and Priorities

The two biggest concerns that leaders highlighted almost unanimously were the health and safety of staff as well as employee engagement and protecting supply chains so the company can continue to deliver to customers.

For those working in multinational, multi-site businesses, the key priority and concern was the health and wellbeing of their staff. Enforcing social distancing, personal protection, and other safety measures were the initial steps of their crisis management strategy, and the majority of attendees felt confident in their businesses’ response. “We moved to put in place social distancing and hygiene in February, so we feel safe and under control from this standpoint,” one executive shared. In some industries, such as food production and packaging, the crisis has led to a sudden increase in demand, and consideration has to be given to ensure HSE standards are maintained so as not to cut corners and put staff at risk.

After the protection of employees, maintaining an uninterrupted supply chain given the difficulties around materials supply and secure freight was the second most discussed topic. How to service demand through logistics and supply chain was the issue raised by all the executives at our gathering, who represent across the supply chain.

From a customer perspective, the group has seen different approaches. Some have issued blanket letters informing their suppliers they won't be paying anyone for the foreseeable future. Others have been more strategic. "We're thinking about their suppliers and identifying who they will need in long term and helping in the short term to secure their future," on leader said. The consensus was that the industry needs a collaborative response to supply chain management and to position themselves best for a post-COVID world.

Balancing Short- Versus Long-Term Planning

During crisis periods, balancing short-term, tactical initiatives with longer-term business decisions is critical in defining how a business fares during and after a crisis. As one executive summed up: "We are very aware to balance firefighting with strategic planning." Cash and liquidity are critical but continuing to invest in the business on a longer-term basis is important in a post-COVID world.

Further complexity is added, as the true extent of COVID-19 has yet to be realized, and forecasting has become almost impossible to accurately report. Some attendees reported an increase in demand and business activity, other businesses are experiencing a slowdown in operations, and others are experiencing both across their business units. All participants agreed on the importance of thoughtful business and scenario planning. "We have our CFO leading our longer-term strategy, our budgeting process is already having to be thought about, and we have mapped out about 100+ different scenarios," an executive shared. "That's the level of forecasting efforts."

Governments present particular forecasting challenges for multinational, multi-site companies, as every country has its own regulations and requirements. There is also a lack of clarity on the degree of government support and intervention to expect, adding to the complexity and affecting decision-making

Leading for Your Employees

As business leaders, a sound communication strategy is imperative to ensure everyone is clear on the role they have to play, and goes a long way to easing employees' anxiety around the business state. The executives on the call unanimously discussed the importance of leading from the front, trying to be as visible as possible, and striking a balance between communicating reward and recognition to staff.

In terms of direct reports, faced with an unprecedented situation, teams have had to work together and be more collaborative than before. “It has created a more democratic leadership, rather than directional,” one leader pointed out. Leaders have had to adapt quickly to new methods of communication and can feel constrained as informal interface becomes difficult to create.

Running a business using a laptop, executives need to be aware of “keeping one eye on the telescope and one eye on microscope,” as one executive put it. Those who are used to extensive travel are feeling less effective working from home, feeling that they are not as visible on the frontlines without being able to visit plants. Our group was highly aware of the broader employee base they lead, and employees’ key concerns—primarily job safety and compensation. Unions are also an important stakeholder to maintain communication with. Decisions have been made in some companies to cut executive and Board pay by up to 25 percent in order to show their commitment to safeguarding jobs. Others are recognizing their staff going “above and beyond” by going ahead with pay increases or keeping company canteens open and providing free meals.

We Need to Talk About Mental Health

The combination of dramatic changes in daily routine, isolation from friends and family, media consumption, and economic instability can have significant impact on people’s mental health. Based on the discussion, it would seem that now, more than ever, businesses are prioritizing mental health discourse, and leaders are taking responsibility for providing support and, practical aid to their employees. Communicating regularly to employees through newsletters, and providing new channels of support is proving effective for a number of businesses.

Looking Toward the Future

While what the post-pandemic world will look like is too soon to tell, but there is a hope that some of the key priorities now can remain. A greater focus on employee well-being, more informal communications between leaders and staff, and increased transparency in the organization may well be some of the positive aspects that companies are able to retain after the crisis.

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Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

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