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RESPONSIBLE BUSINESS THROUGH CRISIS

Senior leaders on trust and resilience during COVID-19

The CIPD is the professional body for HR and people development. The registered charity champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has more than 150,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Executive summary

The COVID-19 pandemic is the biggest crisis the world has faced since the Second World War. What began as a health crisis quickly mutated into an economic crisis, with business leaders coming under immense pressure to protect not only public health and jobs, but also to support their wider communities and a complex system of stakeholders.

Before the pandemic hit, the responsible business agenda had been gaining momentum. Company culture is increasingly seen as core to good corporate governance, and a demand for transparency means businesses are held to account. Across multiple stakeholders, we have also seen a growing recognition that a shift in business practices is needed to ensure work is a force for good.

During the COVID-19 crisis, organisations have been scrutinised by the media and public for the decisions they have made, with an expectation that business will behave responsibly. Those perceived as not doing so have been pilloried.

This report, *Responsible Business through Crisis: Senior leaders on trust and resilience during COVID-19*, tells the story of responsible business and trustworthy leadership through the peak of the COVID-19 pandemic. It does this through gathering the perspectives of more than 60 senior leaders, including HR directors, from organisations that include FTSE 100 companies, large local authorities and household names. Through their candid reflections, we can offer a unique insight into what it has been like to lead an organisation during this crisis.

The organisations featured in this report consider themselves responsible businesses, placing this philosophy at the heart of their decision-making between March and August 2020. However, woven throughout this report is an acknowledgement that for many organisations, the worst is yet to come, as the economic crisis deepens and leaders are forced to make their toughest decisions yet. We hope to revisit some of these organisations in the months ahead, to follow their journeys and assess how responsible business is maintained – or not – as a core value.

We believe we have been presented with a once-in-a-generation opportunity to reshape the world of work, putting our people at the heart of recovery and embedding the principles of responsible business. The months ahead will not be easy, but the potential is there to continue the momentum of the responsible business agenda as we attempt to 'build back better'.

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How to be a responsible business

This report offers practical applications for leaders to consider as we move into the next phase of the pandemic:

- Think about the role of the organisation in the community and broader ecosystem. Where are the interdependencies? Embrace a broader set of stakeholders beyond the 'traditional triangle' of employees, customers and shareholders.
- Consider reshaping your organisation's purpose, both to survive and thrive in a post-COVID-19 economy and to play a bigger and more responsible role within its communities/ecosystem. Make this material by ensuring board connection and tying to strategy, operations and governance.
- Leaders must communicate honestly, clearly and transparently with all stakeholders about the difficult decisions to be made. Demonstrate how these decisions fit with your sense of organisational and individual fairness and justice.
- Bring new talent into your boardroom. Innovation is a non-negotiable if your organisation is to survive, and that requires a diversity of background, thinking and experience.
- Leaders must know and be transparent about what they don't know. Accept that you are not the expert in what is to come and ask for advice where needed. HR leaders must build this self-knowledge and reflection into leadership development activity.
- Organisations and leaders should be active in addressing inequalities, including low pay for those in front-line roles (if pay rises aren't an option, are there other rewards that can be offered, such as more flexibility with shift patterns or leave?) and inequalities linked to ethnicity. If they do not step up voluntarily, they may soon be forced to by government.
- Build a bridge between the past and the future. Acknowledge and communicate to all stakeholders that while the business may need to operate differently, the values underpinning it remain the same.
- Maintaining the humane and personal leadership that has emerged during COVID-19 means encouraging vulnerability at all levels. HR and leaders need to create a psychologically safe space to be vulnerable and address any conflicts and underlying resentments.

Leading a responsible business through COVID-19: Trust is everything

'We all know that you don't have cultures just for COVID and you can't have cultures that are just written down on paper. You either live something or you don't.' (Business leader)

Trust matters in a crisis because:

- Vulnerability drives both a need and a propensity to trust. The more vulnerable we feel, the more we seek leadership.
- Trust helps organisations generate resilience to deal with volatility and uncertainty.

But trust cannot be created overnight. The trust an organisation or its leaders has – the organisational 'trust fund' – is revealed in times of crisis. Findings from previous research suggest that, even among organisations that self-identify as responsible businesses, employees were not sure that top teams were bothered about their needs, weren't convinced they always walked the talk, and did not believe they were open with them. COVID-19 is the acid test of organisational culture.

It has also tested senior leaders to extremes. It forced them to operate differently: not being able to rely on data to inform decisions, 'letting go' and devolving more than usual, having to prioritise previous unknowns like sourcing PPE, addressing exposed social inequalities – all while attempting to maintain financial sustainability and trying to avoid becoming burned out themselves.

These new ways of leading have come with many silver linings, as well as being immensely challenging. A more 'human and humane' leadership style has come to the fore. When it comes to holding onto the learning, we offer the following recommendations:

- Learn from previous crises about how to maintain <u>trust</u>.
- Learn while working – create conditions, space and opportunities for C-suite members to engage in constant learning from outside their organisation.
- Businesses and leaders should seek to address social inequality, including moving from words to action around Black Lives Matter.
- Replenish the trust fund – if organisations have exhausted benevolence by asking various stakeholders to make great sacrifices, now is the time to focus on replenishing trust and goodwill.
- Reconsider your organisational purpose in the light of COVID-19.
- Think about the cultures and practices required to rewire, and then hardwire, the new world of work.
- Sustain empowerment – consider more decentralised models and increase accountability.
- Ensure board connection to the concept of responsible business. Environmental, social and governance issues must become central to governance, strategy and operations.
- Think about how to maintain and renew C-suite energy and avoid burnout (could you offer respite sabbaticals?).

Responsible business and stakeholders

'Businesses should be part of the society in which they operate. The relationship between business and society is a two-way street.' (Business leader)

While there is no agreed definition, consensus is that a 'responsible business' is one that operates ethically and sustainably, with consideration for multiple stakeholders embedded into every aspect of business decision-making and process.

What this means in practice will differ according to how the organisation chooses to prioritise different stakeholders. Broadly, the list of stakeholders an organisation needs to consider goes beyond the traditional 'employee, customer, shareholder' triumvirate. It could include some or all of the following:

- employees
- customers
- shareholders
- communities and society more widely
- partners
- suppliers
- trade unions and other collective representative bodies
- government and regulators.

Considering the needs of such a diverse group of stakeholders is a complex task, as demands may be conflicting. It becomes even more challenging during times of crisis. Leaders spoke of trying to balance a complex stakeholder ecosystem and having to make difficult trade-offs (for example, one HR director chose to put employees first in the knowledge that it would mean harming some suppliers).

Executive summary

During a crisis, can it be possible to 'do no harm'? The leaders we spoke to tried admirably to balance the needs of as many stakeholders as possible, but this is unlikely to be sustainable going forward. Difficult decisions will have to be made and we will see winners and losers.

Not 'all in this together': Addressing trust and fairness

'The inequalities that we're going to face in society, and as an employer… combined with the economic pressures that are going to follow… Yes, it's tough times.' (HR director)

During COVID-19 it has become painfully clear that while we are all in the same storm, we are in different boats. Some differences revealed themselves quickly: the ability for some, mainly higher-paid knowledge workers, to work at home while lower-paid 'essential workers' continued 'on the front line', often without access to PPE.

Others emerged as the pandemic went on: the difference in working from home from a comfortable and well-equipped home office versus perching a laptop on the end of your bed, for example. Or the resentment building over the – unfair – perception of furlough as a 'paid holiday' from those continuing to work, often harder than ever.

Many of these inequalities were present before, but COVID-19 has exposed them. Responsible leaders have been required to face the consequences.

With many more months of disruption and hardship ahead, the inequalities inherent in our experiences of the pandemic will become an even more serious issue for business leaders and in particular HR. Challenging work will need to be done to repair the deepening fractures and fissures in our workforces to create a sense of oneness and camaraderie.

There may need to be a longer-term recalibration of reward and recognition systems to close the differentials between top pay and those at the bottom. To help shape social change, CEOs and HRDs must lead the way by adjusting recruitment, promotion and reward processes. This does not mean making speeches; it means taking action.

New ways of working through COVID-19 and beyond

'Traditionally the business hasn't trusted in flexible working. But IT systems held up. Productivity hasn't fallen off. Clients are happy. We're meeting deadlines. People are looking out for each other.' (Business leader)

As organisations emerge from their initial response to COVID-19, there is an opportunity to reflect on how the pandemic has changed our working environments. The impact includes:

- **An increase in remote working:** Pre-COVID-19, barriers to remote working included lack of trust, willingness and appropriate technology. COVID-19 brought rapid change, with organisations moving to remote working virtually overnight. This brings potential long-term benefits, like the opportunity for greater flexibility, autonomy and balance for employees, an increase in talent mobility as organisations can theoretically hire from anywhere, and an improvement in sustainability as business travel reduces. But it also brings challenges, such as the need for more mature management practice.
- **Health and wellbeing to the fore:** Health, safety and wellbeing have been paramount during COVID-19. New practices and workplace health and safety procedures have been put in place. The pandemic has also highlighted the need to focus on mental wellbeing, and this need is only going to increase.
- **Focus on culture, values, purpose:** For purpose-led and responsible organisations, values have threaded through every COVID-related decision. New working practices require more than a change in policy or procedure: behaviours and mindsets also need to change, and this links through directly to organisational culture.

- **Consultation and opportunities for employee voice:** With new ways of working requiring compliance and a shift in behaviours, engaging employees in the process was critical, and leaders talked of the importance of transparency and partnering with trade unions.
- **Increased collaboration, devolved decision-making:** Working through a crisis has meant that collaboration has been paramount, both externally and internally. Many leaders spoke of how COVID-19 drove greater internal collaboration, and the benefits of speed and greater mutual support. Making decisions at speed means empowering managers, which even the more traditionally centralised organisations have seen as a positive.

These changes were driven by crisis and by necessity implemented very quickly, so how can we maintain the benefits? Lessons must be learned and the focus now needs to be on thinking strategically about the future so as not to lose momentum or to slip back into ineffective ways of working.

BLM in the boardroom

'People were raging inside and didn't know if it was okay to bring those feelings into the workplace.' (HR director)

In June 2020, as organisations continued to deal with COVID-19 and its economic and social fallout, another crisis emerged. The death of George Floyd and the subsequent rise of the global Black Lives Matter movement placed systemic racism firmly at the door of business leaders. Here is how they responded and some of the lessons learned:

- **Shock and uncertainty over how to respond:** As black people only hold 1.5% of leadership positions in the UK public and private sector, it is perhaps unsurprising that many leaders experienced shock at first. Some were unnerved by the immediate anger and frustration among their workforces and customers and were unsure how to respond. Authenticity of message was key: leaders needed to admit what they didn't know and acknowledge that they were lacking in lived experience.
- **Commitment to listening and learning:** Most organisations we spoke to moved first to listening, holding 'listening events' where black employees could share their experiences. And employees were encouraged to learn about racial inequality.
- **Involvement of black employee networks:** Leaders worked with black employee staff networks to organise listening events and create safe spaces for sharing. However, leaders must understand and acknowledge the emotional labour involved for black staff in 'educating' the rest of the organisation.
- **External commitments:** Some organisations made external diversity pledges around increasing racial diversity in senior leadership, or signing up to Business in the Community's Race at Work Charter.
- **Internal commitments:** While many leaders felt their organisations were working to improve race equality, there was an acknowledgment that pace remains slow. Organisations committed to driving internal change through HR policy and practice.

The acid test now will be not just action, but action that leads to genuine change. The strength of public feeling and external pressure means that leaders and organisations can no longer ignore this issue. Companies will be held to account by their stakeholders.
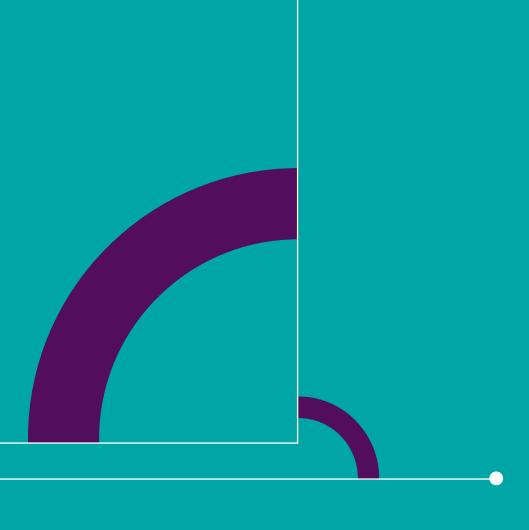
Cometh the hour, cometh the HR team

'With every crisis, I see HR step up more.' (HR director)

HR teams have been right in the thick of this very human crisis. The sheer amount of work HR has had to do – from setting up entire organisations to work remotely to navigating

the furlough scheme to prioritising health and wellbeing – is huge, and it's no wonder that many people teams are feeling burned out.

Many organisations have taken a people-first approach, which very much 'puts the human back in HR'. This has been recognised and feted by business leaders outside the function, who have developed a renewed admiration for their HR teams and CHRO. The credibility of the function has never been higher.

Maintaining responsible people practices through the coming recession will be a challenge for the profession, but it is in a strong position. HR has a unique opportunity to take the lead in designing the new world of work and should be able to emerge from this crisis stronger as a profession.

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