

Business facing up to COVID-19: Synergising Stewardship, Governance and Sustainability

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The COVID-19 crisis upon us has haplessly exposed the world's vulnerability to global threats and instantly pressed industries and investors to ensure that they are truly motivated in delivering value in the long term. It is thereby no surprise that companies have been battered by the repercussions of the novel virus and jumped into "survival mode" to address global public health and economic disruptions.

Long before the Coronavirus crisis however, the business landscape has long been concerned about increasing short-termism, seeing mounting evidence that many organisations are not responsibly making decisions with a long term mindset.¹ We have continued to witness business financial scandals almost every year after the 2008 financial crisis, all while the limits and excesses of (irresponsible) capitalism are still being questioned. Many companies have simultaneously continued to extract finite resources, triggering substantial repercussions on the environment and communities worldwide. On the pretext of economic development, industrial actions have altered the patterns of our production, distribution, and consumption of natural resources in an accelerated manner. Managing climate change and creating a net positive social and environmental impact have now constituted the grand challenges facing today's organisations.

It is currently more than evident that the egocentric perspective of business interests can no longer serve us, and that corporate leaders must answer the call to fulfil their moral responsibilities towards sustainable wealth creation. The COVID-19 crisis, while unprecedented, has simply amplified the weakest links in business activities during these volatile times. Now, as organisations shift gears and move towards recovery, at the heart of an ambiguous future lies the questions: to whom, or to what, are organisations responsible? And what should a company's focus be when paving the way for sustainable growth beyond the crisis?

A Stewardship Mentality Can Pave the Way Forward

Fostering a stewardship mindset among organisations and their leaders is an important step in addressing these predicaments. We define stewardship as the responsible and wholehearted management of entrusted assets so as to pass them on in a better condition. Stewardship implies that common assets and natural resources are also cared for and passed on in a better condition. Stewardship endeavours to promote the success of companies by incorporating the short term as well as long term interests of shareholders and other stakeholders.

While stewardship is achieved through effective leadership and management, the incorporation of enlightened governance and sustainability mechanisms is fundamental in moving companies past a portfolio of mere checks and balances for stakeholders, and towards proactively anticipating the environmental externalities that could impact a company's future. A well-stewarded company therefore seeks to synergise the notions of enlightened governance and sustainability to ensure a more responsible business ecosystem.ⁱⁱ

As companies contend with the short term impact of COVID-19 however, it is tempting for business leaders to put corporate stewardship and sustainability in the back burner as they respond to immediate economic, public health, governance and shareholder concerns within their value chains. This unfortunately would be a grave mistake, as present actions will determine the future trajectory of sustainable business in a post-crisis state.

Decisions made during this crisis will deeply shape a corporation's identity and illuminate their purpose long after the virus' impact is fully realised. By adopting a stewardship mentality, companies will have the capacity to provide valuable insight for executives developing a decisive course of action, while encouraging a resilient sense of purpose to respond and adapt to COVID-19's disruptive changes. Steward leaders will consequently consider the interdependence of their actions and demonstrate the will to mitigate dynamic externalities in such a turbulent climate.

Act with a Moral Purpose and a Long-term Mindset

Stewardship is clearly demonstrated when senior leadership communicate greater clarity of purpose that is guided by a moral responsibility to the viability of not only an organisation's financial imperatives, but to larger society and an ethical duty towards the social and human development of future generations. In our current COVID-19 reality, stewardship has become all the more relevant to maintain as companies face emerging challenges and evolving political and economic demands. Fortunately, several business leaders globally have ardently sought to combat the COVID-19 pandemic with a moral purpose to support resilience within their value chains and amongst vulnerable communities.

In the Philippines, Ramon Ang, owner of Philippine's oldest brewery, San Miguel Corporation (SMC), has announced that it will be setting up its own laboratory to test its 70,000 employees and extended workforce.ⁱⁱⁱ Mumbai-based Asian Paints has alternatively looked beyond the welfare of its employees to set up a helpline for contractors and transferring a total of \$5.3 million into the bank accounts of vendors, contractors and painters to help those who rely on their products.^{iv} Other organisations have even gone so far as to provide financial assistance to help cover unexpected costs related to remote work, offer access to free mental health services, and support virtual sessions geared to staying physically and mentally healthy.^v Global fiscal support has even reached \$9 trillion as nations fight to overcome the lingering effects of the pandemic.^{vi}

Nevertheless, while stories of business leaders taking the helm have proved inspiring, divergent stories of companies furloughing and laying off employees have also saturated the news. Since the virus' swift onset, the United States has experienced a vast blow to its market as the official unemployment rate reached its peak of 14.7% in April with 40 million Americans losing their jobs, the highest since the Great Depression, when it exceeded 25%.^{vii}

As corporate leaders struggle to balance the exogenous shocks of a global pandemic, it is imperative that companies instil confidence in their employees to ensure stability and strength during such tumultuous times. While layoffs are routinely embedded in business as a short term solution for reducing expenses, studies have shown that they create more problems than they solve. One study found that after layoffs, a majority of companies suffered declines in profitability, and a related study even showed that the drop in profits persisted for three years.^{viii} Companies that reduce their workforce also lose time invested in training employees, as well as their network of relationships and internal knowledge of how to execute tasks.^{ix}

To preserve intangible capital, such as reputation and good will within an organisation, senior leadership should actively refer to and realign their company's purpose and seek ways to engage with stakeholders. During this crisis, organisations cannot ignore long term considerations under the guise of short term gains, and must look to more systematic measures that consider the wellbeing and livelihoods of those across their value chain. During stages of recovery and response, it will be vital for organisations to spend and invest wisely and take calculated risks in the interest of all stakeholders to reap future rewards.

Stewardship is Achieved Through Enlightened Governance

The COVID-19 outbreak has alternatively raised governance concerns and may give rise to risks which should be considered by companies and their management boards. As organisations move towards a stewardship culture, boards must review the company's plans for business resiliency and advocate for engagement through all levels of the organisation to ensure the propagation of stewardship values through multiple generations of leadership.^x In doing so, companies promote accountability as an integral part of enlightened governance, while safeguarding the formulation of regulations that will best enhance the welfare and safety of its stakeholders.

In Singapore alone, companies have complied with strict measures and regulations to address the ongoing pandemic. Well-stewarded companies have aligned themselves with national directives and implemented new governance policies to promote the safety of their employees and uphold business interests. Provisions have been made to distribute public health material and resources to employees, offices re-configured to adhere to social distancing measures and transparency enhanced to communicate the rationale underpinning revised remuneration policies and business continuity plans. All these structures and processes serve to mitigate risks brought forth by the pandemic.

Along the same vein, companies are mandating digital transformation systems across their organisational structures to maintain productivity and the long term safety of their organisation. The majority of employers have been required to implement remote working schemes and provide their employees with relevant resources to transition into a redefined digital work space. In this new environment, and as millions move towards digital platforms, cybersecurity governance concerns will undoubtedly emerge and should be anticipated with care as new digitised norms are established. In fact, in the first 100 days of the COVID-19 pandemic, one study reported that between January and March, spam and opportunistic detections increased by 26.3%, the blocking of URL clicks by 55.8%, and overall detections rose by a third.^{xi}

With an augmented reliance on digitalised systems to support business processes, companies will need to reexamine and improve upon existing accountability and traceability frameworks within their supply chains. Utilising technologies like artificial intelligence and the Internet of Things could predict potential supply chain disruptions and identify alternatives for buyers and sellers to encourage the sustainable sourcing of resources. To strengthen internal management systems, senior leadership must reassess and realign their current risk management policies, strategy, and goals to adapt to changing circumstances. It will be paramount to drive innovative strategies as cyber-attacks and disrupted supply chains become as inevitable as a future viral pandemic. Such enlightened governance mechanisms will facilitate effective implementation of stewardship behaviours and strategies that address stakeholder concerns for the long term.

Don't Underestimate the Significance of Sustainability

Finally, while governance is frequently called upon to stabilize and develop control mechanisms for organisations during critical periods, sustainability will be significant in mitigating the risks of present and future disruptions to the environment caused by the virus. COVID-19 has particularly exposed the necessity of two key changes our world must prioritise: resilient and sustainable supply chains, and utilising technology as a means to reduce our carbon footprint.

In the midst of nation-wide lockdowns across the globe, multinational companies faced an initial supply shock, a demand shock as countries ordered people to stay at home, and successively great stress on already fragile supply chains. Companies across the globe were then faced with a sudden excess of supply and struggled to package and transport resources across borders.^{xii} Moreover, labour shortages are suspected to be one of the biggest and lingering impacts of COVID-19 as a lack of migrant workers becomes persistent due to vast travel restrictions and strict quarantine measures. In 2014, the Ebola outbreak profoundly disrupted the agricultural market chains in West Africa for similar reasons, which quickly led to food shortages and price volatility.^{xiii} To alleviate these sustainability risks, organisations must collaborate with government agencies and key stakeholders to support the diversification of resources at a localized scale, and drive efforts to boost productivity and the marketing of goods through e-commerce channels. The moment an organisation prioritizes these risks, they exercise a

stewardship mentality by seeking to harness and improve upon limited resources efficaciously for future sustainable business.

Alongside these pressing challenges, digital transformations across the world will have tangible impacts on the carbon footprint of companies and nations globally. As organisations move towards remote work arrangements, teleworking at a macro scale could essentially provide the impetus needed for companies to review their operational and travel policies, and focus on the often overlooked Scope 3 carbon footprint goals under the GHG Protocol greenhouse gas management tool.^{xiv} While shutting down in-person business functions, or whole economies is not an adequate or sustainable way to reduce emissions, this crisis could drive companies to take innovative steps to digitalise production across their value chains and align business practises with enlightened environmental governance mechanisms like the GHG protocol.

All in all, well-stewarded companies acting with a long term mindset will foresee an integration of sustainability concerns as a necessary means for their organisation to respond to the crisis in a way that could prove beneficial for future business processes and performance. In fact, reports have already found that sustainable funds have outperformed their peers this year with companies that have taken ESG criteria into consideration showing inclinations of greater resilience.^{xv} New evidence has subsequently emerged elucidating that almost six out of ten sustainable funds delivered higher returns than equivalent conventional funds over the past decade.^{xvi} The reinforcement of the aforementioned sustainability concerns will thus be imperative for companies looking to improve organisational ESG ratings and priority areas for long term financial performance. Through the strengthening of these interconnected systems, companies have the potential to exert clear values of stewardship by expecting changes and nurturing agility and resilience for present and future needs.

Embodying Stewardship, Governance and Sustainability for a Post-COVID Future

Stewardship values provide a leadership and management mindset to effectively implement procedures and processes that focus on all stakeholders for the long term, and with enlightened governance mechanisms, achieve corporate sustainability and responsible operations. Tough as it may be in a crisis situation, corporations and business leaders should have the will to strive for that spirit that undergirds responsible actions. Instilling a stewardship culture needs to be the motivation that pervades across the entire value chain, where all the stakeholders' interests are incorporated into the decision-making and practices of the organisation. In doing so, the organisation takes a long-term view, and rather than just traditional governance mechanisms, the organisation should implement new and enlightened governance mechanisms that integrate the stewardship intent across all levels. When a company achieves the sweet spot of stewardship, sustainability and enlightened governance, it will not only overcome the prevailing challenges, but lead to a future that is more resilient and responsive in times of crisis.

During the epoch of COVID-19, these values for operating business are hence more relevant and pertinent than ever. By synergising notions of corporate stewardship, governance and sustainability, organisations have the ability to survive the crisis, generate sustained returns for the investor, and capitalise substantially on managing future risks for all stakeholders. However, without rapid and effective global cooperation and an integrated mindset for battling this stage of response, the world may not depart from this crisis safely. In fact, the ever evolving nature of the current COVID-19 crisis could present new and unforeseen circumstances for what we presently envisage as ‘business-as-usual’. It is therefore necessary for companies to implement holistic models that are driven with a moral purpose and a long term mindset to address these growing challenges.

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^{iv} Ibid.

^v Kohll, A. (2020, April 20). *How One Company Is Taking Care Of Employees During COVID-19*. Retrieved from <https://www.forbes.com/sites/alankohll/2020/04/06/how-one-company-is-taking-care-of-employees-during-COVID-19/#339c11b9488d>

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^x Business Roundtable. (2016). *Principles of Corporate Governance*. Retrieved from <https://s3.amazonaws.com/brt.org/Principles-of-Corporate-Governance-2016.pdf>.

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