



# Insights from the EY CEO roundtable

## Leading through the COVID-19 crisis

March 27, 2020



More than 70 CEOs representing major US companies across a range of industries joined the EY CEO roundtable on March 27 to discuss how COVID-19 is affecting their businesses, employees and communities. This memo summarizes the common themes and upcoming priorities raised as companies continue to navigate the crisis.

### Common themes across the roundtable

#### Accessing liquidity from an increasing number of sources

Securing liquidity was an early priority for many CEOs. Some expressed reservations about accessing their full lines of credit, but CEOs are evaluating whether to access the credit lines as a backup. CEOs of larger companies that regularly use commercial paper expressed optimism about emerging options, including moves by the Federal Reserve to provide backstops and easier access to credit. While these may expand access to cash, it was noted that some programs come with conditions, such as restrictions on share buybacks.

#### Changing the nature of board interactions

One executive encouraged peers to reshape their dialogue with their board. First, the pace of interactions has accelerated, and weekly or biweekly board calls now appear to be the norm. Second, especially in cases where the business outlook is bleak, several speakers emphasized that total transparency is critical in these board discussions. Third, we heard that some have adopted the practice of complementing formal meetings with a schedule of individual outreach to select board members, soliciting advice and engaging in more direct dialogue and insight exchanges.

#### Protecting employees and communicating openly

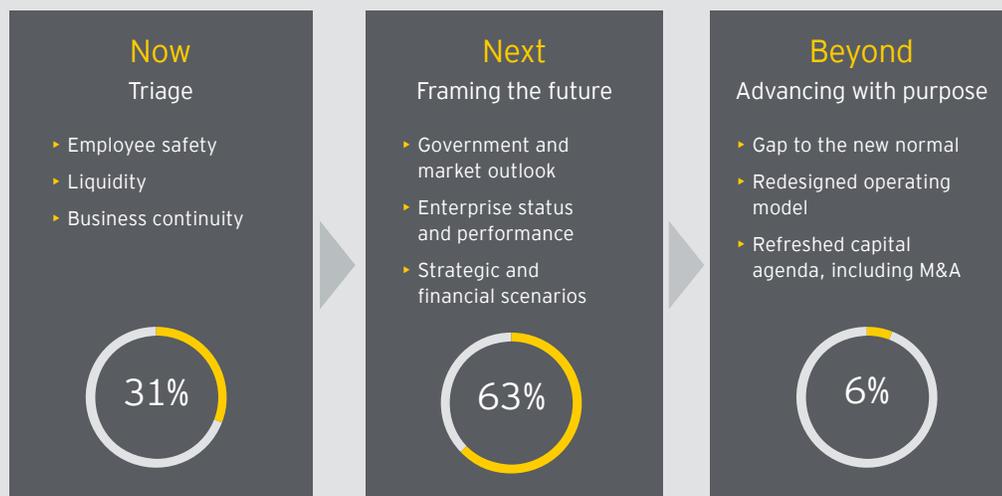
Several executives acknowledged that employees are naturally concerned about safety, as well as job security, as they observe employers cutting capital and discretionary expenses. Employee communications need to be frequent and direct and should address these concerns, to the extent possible. Three specific points were raised regarding how to protect and engage with employees:

- ▶ **On-site employees:** Several CEOs discussed the concerns raised by factory workers who remain on site. Remedies are still emerging, with some executives providing additional vacation days and others evaluating incremental financial compensation.
- ▶ **Personal protective equipment (PPE):** There was broad alignment on the need to provide protection to frontline employees, and recognition of the need to solve the immediate supply shortage for medical responders.
- ▶ **Cyber attacks:** Multiple CEOs noted the dramatic rise of phishing attacks, in the form of offers to procure masks and other types of PPE. They are now engaging their technology teams and employees to be vigilant.

## Expanding scenario planning

Most CEOs stated their companies have emerged from the triage stage of the COVID-19 response. Sixty-three percent of respondents indicated that they are now spending most of their time on strategic and financial scenario planning. Their collective challenge is determining the range of realistic assumptions, given the levels of uncertainty. Previously believed worst-case scenarios now appear more likely, or not conservative enough. Some executives are challenging their teams to consider an even more dire outlook and expand their contingency planning.

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## Upcoming priorities and looking forward

### Sharpening a view of the new normal

Uncertain demand will be a significant issue for the foreseeable future. Some sectors, e.g., travel and hospitality, have seen sharp declines in activity as lock-downs continue to expand across states. Other sectors, however, are experiencing a surprising level of variation in their businesses – demand is plummeting for certain product lines while demand for others, including those related to medical response, is surging.

Looking ahead, companies anticipate that customer behavior will fundamentally change and significantly impact their business. In fact, 59% of survey respondents noted that customer behavior changes will have the most impact on their company's new normal (see Figure 1). Additionally, 19% felt that changes to the workforce and how work gets done will affect their company.

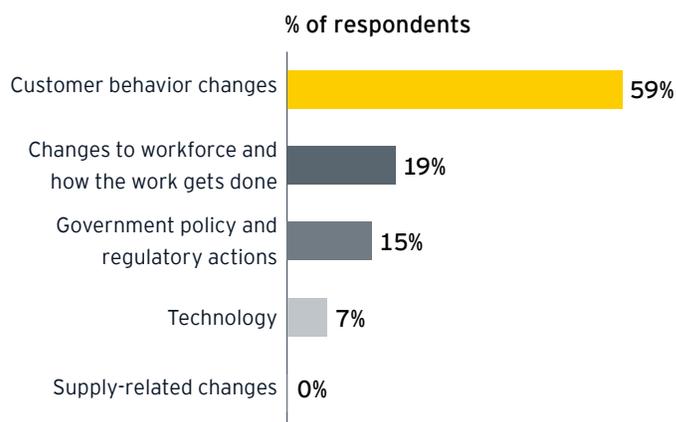
The shape of the recovery will also play a significant role in future planning. More than 80% said they expect a U-shaped recovery: a longer period of slower economic activity extending into mid to late 2021.

As demand recovers, leadership teams will need to re-examine their operating models, redesign their business processes and adjust accordingly. This sentiment was expressed in the survey

findings when respondents were asked to reflect on their capital agenda in 12 months. A total of 38% of respondents plan to invest in core operations for continuity and growth, while another 32% chose conserving cash and capital as a main priority (see Figure 2).

Figure 1

Which of these dimensions will likely have the most impact on your company's new normal?



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**Providing investor guidance**

Several CEOs wanted to hear what peers are doing with respect to withdrawing guidance and communicating with the investor community. Given the uncertainty, there is an expectation that more and more companies will pull guidance. Beyond that, the situation is still evolving. One CEO noted that he is being advised to be cautious about making liquidity-related comments as they may be viewed as material information. Discussions with the SEC are underway, and many are hoping for clarity and investor understanding.

**Testing and managing sites where employees test positive**

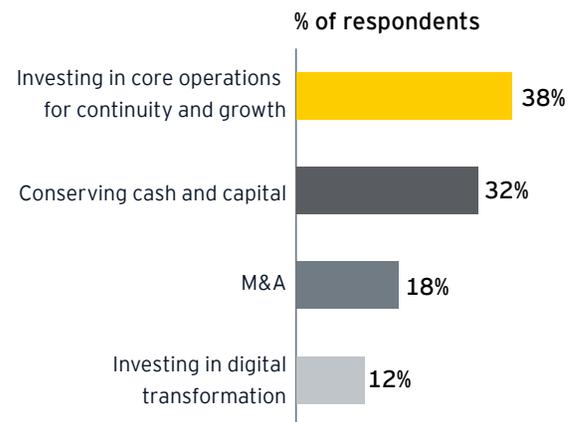
One health care CEO encouraged companies to educate themselves and their chief medical officers about the nuances of testing. It will be imperative for management teams to correctly set policies to protect employees and make certain that critical operations can continue. Several executives shared their protocols for sites where an employee has tested positive. One critical site producing medical supplies was shut down briefly to be cleaned, and potentially affected employees were quarantined and tested. However, the site was back up and running the next day due to the criticality of its operations. In some cases, site leaders are reorienting the work environment, separating employees and creating a pod-like environment to minimize the number of workers in contact with each other.

**Preparing for a continued global impact**

Several executives called out concerns regarding the impact of the virus in India. They noted that employees there may not be as successful working from home because of infrastructure and internet limitations. They are looking now into countermeasures and new ways of working.

Figure 2

**In 12 months, what do you anticipate your capital agenda priorities will be?**



We would like to thank all of the executives who participated in this discussion. We look forward to continued interactions as we all navigate these difficult times together. For more information about how to lead through the COVID-19 crisis, please visit [www.ey.com/covid-19](http://www.ey.com/covid-19), or reach out to your Ernst & Young LLP account executive for our latest insights.

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