

# SID Directors Conference 2020

# **LIVING IN A COVID-19 WORLD:**

## A Singapore Perspective



## **Facing the Winds of Change amid Covid-19**

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Covid-19 has sparked profound changes to the business landscape. It is transforming the way we live, work, and plan for the future. Amid this uncertainty, it is essential to adapt nimbly to the winds of change. This article explores Covid-19's implications for directors as they rethink leadership and governance, reimagine the office of the future, and accelerate their company's plans for digitalisation and innovation.

### **Leadership and governance**

Covid-19 has been a test of leadership across all industries. The crisis has called for leaders to respond with resilience, calm, and optimism, and to inspire unity in their organisations. In the immediate term, directors and managers have been safeguarding employees' health and wellbeing, preserving business continuity, and managing cash-flows. Looking ahead, they will also have to make high-stakes and difficult decisions involving overall strategy and direction. Executing these decisions well will require careful planning and persuasive communication.

Good corporate governance is invaluable in these trying times. The heightened financial volatility arising from Covid-19 has increased investor scrutiny in areas such as corporate disclosures, executive remuneration and dividend payouts. This trend underscores the importance of transparency and consistency in communications with stakeholders.

Covid-19 has also posed challenges in the preparation of financial statements, as it has generated significant uncertainty for valuations and business prospects of companies. Issuers are also expected to increase scrutiny of high-risk areas such as cash balances and accounts receivables and other areas that require significant estimates, as highlighted by Singapore Exchange in its 27 July 2020 guidance.

In the realm of shareholders' meetings, the Covid-19 experience has led companies to leverage digital tools to conduct virtual meetings. Even after the pandemic subsides, we may see the emergence of hybrid meetings, which would allow shareholders to attend either physically or virtually, thus enhancing shareholder engagement in the long run.

### **The office of the future**

Covid-19 has led directors to question the wisdom of the traditional office and reimagine the workplace of the future. With safety at the forefront of everyone's minds, telecommuting has become prevalent during this period. Covid-19 has shown that telecommuting can reduce rental costs, save travel time and give employees more flexibility. However, telecommuting has its downsides – projects may take longer as employees collaborate remotely, it may be more difficult to train and integrate new staff, and there are challenges with maintaining productivity. Further, physical workspaces are necessary for team bonding, and to nurture and imbue the spirit, culture and values of the organisation.

For these reasons, physical workspaces will continue to remain relevant, but may have to be tailored to the company's changing needs in the new normal. Where flexible work arrangements involve telecommuting in the new normal, employers must adapt their assessment processes and incentive structures to monitor and improve productivity. Indeed, an article published by *Harvard Business Review* on 14 August 2020 envisages that future workplaces may integrate teleworking with a network of office spaces for individuals to gather, build relationships and develop their careers.

In the new normal, directors must balance these considerations, apply a fresh lens and envision how physical workspaces should be reconfigured to promote collaboration and team culture. Directors should think of physical space in terms of the value which can be derived from it, and not just focus on the cost per square foot. On the whole, companies may consider moving towards blended home-and-office arrangements which seek to encourage the efficient use of physical space and maximise the use of technology to facilitate teleworking.

### **Digitalisation and innovation**

Covid-19 has supercharged the digitalisation and transformation of business models. Cisco's 2020 *Asia-Pacific Small and Medium Businesses Digital Maturity Study* reports that 69 per cent of respondents have accelerated digitalisation efforts. Motivated by the need for safe distancing, many organisations are striving to become cashless and paperless. The importance of digitalisation is also exemplified in the efforts of the financial industry. Even as the overall economy contracted by 6.7 per cent, the financial industry grew by over 5 per cent in the first half of 2020, according to the Monetary Authority of Singapore. This was due in a large part to the digital capabilities built up over time, such as online trading platforms and electronic payment systems.

A key hurdle for many organisations when adopting new technologies is scaling up and moving beyond pilot programmes. Digitalisation is often costly and risky, and involves a departure from traditional methods. To overcome the inertia, directors must foster behavioural changes and facilitate cooperation across teams. Organisations that excite and empower employees to do things differently will likely enjoy greater success in the digitalisation push.

Covid-19 has required businesses to pivot and ready their businesses for the future. Technology has become vital for business success. Directors should seek to understand and embrace innovative technologies which may improve their businesses, such as blockchain and artificial intelligence (AI). They should also consider whether it would be worth developing mobile apps to help employees, customers and other stakeholders connect quickly and easily. For example, Meitu has launched an augmented reality make-up app which allows users to simulate the effects of cosmetics applied to their faces.

A well-designed platform can create a great experience for customers and help businesses learn about consumer patterns and desires. Cognisant of this, businesses have turned to data analytics and AI to better understand customer behaviour.

For instance, Levi Strauss leverages AI to assess historical trends and determine the right level of promotions and discounts to offer its customers. By adopting this strategy in Europe in the second quarter of this year, the jeans retailer was able to sell six times the inventory it normally does during promotional events. In the techno-centric new normal, companies must keep pace with new and fast-changing technologies affecting their businesses.

Covid-19 has transformed businesses, and will continue to shape the future in terms of leadership, workplace design and digitalisation. Directors must move swiftly, communicate effectively, and think creatively to position their organisations for the future. ■