As companies manage through the turmoil from the COVID-19 pandemic, it’s now time for them to evolve their strategies to be responsive to all stakeholders. The crisis is a defining moment in which a company’s broader responsibility, especially to its employees and community, is more important than ever. The crisis has clearly highlighted one essential point: Business has a leadership role to play in society.

But it’s not just about being a good corporate citizen. Communicating that broader role to stakeholders is just as important. Transparency builds trust, and trust can yield long-term shareholder value.

In today’s environment, investors and other stakeholders are seeking clear communication of reliable information to minimize uncertainty. Specifically, they are most interested in a company’s response to the crisis, and how it will move its corporate strategy forward into the post-COVID world.

- Investors want to know which companies will come out the other side stronger, and which are not agile enough to keep up with the pace of change.
- Consumers want to believe in a company and are more engaged with ones that share their values.
- Employees are more likely to give a company their all when they believe it has their best interests at heart.

**CFOs have their employees and communities on their minds.**
PwC’s US CFO Pulse survey tells that story.

- **97%** are moderately or very confident in the company’s ability to balance needs of all stakeholders (customers, employees, suppliers, communities, investors).
- **51%** have increased the company’s community-focused and other societal activities in response to COVID-19.

**even though**

- **85%** expect a decrease in the company’s revenue and/or profits this year as a result of COVID-19.
- **58%** are considering deferring or canceling planned investments as a result of COVID-19.

**of those only**

- **11%** are considering deferring or canceling planned investments in environmental, social, and governance activities.

Source: PwC COVID-19 US CFO Pulse Survey
May 6, 2020; base of 288/11% on base of 167
Three ways to shape your story

As things begin to stabilize, the next step is to strategize for the longer term and share your story. But what should companies consider sharing with stakeholders? Although each company’s COVID response is unique, some themes are universal. Here are three of our favorites.

1. How the company invests in its employees

An independent, motivated team that can work remotely without losing a beat has been a boon to some companies, and the lack thereof has hurt others. Sharing metrics, such as the consistency of worker productivity during a period of remote work, can be telling for investors.

The health and welfare of the workforce may not have been something to shout about before the crisis, but it is now. Companies may benefit from sharing information with stakeholders about enhanced workplace safety measures. Further, metrics such as the following can provide insights to investors about ways the company cares for its workforce, and therefore, indications that employees will be ready to help the business succeed beyond the crisis.

- Number of employees for whom regular or partial compensation was maintained, and the related financial effects
- Number of employees furloughed or laid off, and the related financial effects
- Number of employees with access to physical and mental well-being arrangements, such as paid sick leave, mental health resources, and dependent care, and the related financial effects
- Number of new hires, interns, and contract workers

PwC’s COVID-19 US CFO Pulse survey shows that many companies are expanding the benefits they provide to employees as the crisis continues. We believe more companies should report their good work. While admittedly there is a cost to enhance employee benefits and welfare, there can be longer-term tangible benefits to the company in the form of enhanced employee performance and loyalty.

Change workplace safety measures and requirements 83%
Reconfigure work sites to promote physical distancing 73%
Change shifts and/or alternate crews to reduce exposure 58%
Make remote work a permanent option for roles that allow 43%
Accelerate automation and new ways of working 37%

Source: PwC COVID-19 US CFO Pulse Survey
May 6, 2020: base of 288

2. How the company supports the community

Companies that prioritize community interaction and giving back may themselves benefit from these actions. Examples of good deeds abound. Recent ones include donations of food or money, providing free products or services to first responders, and establishing new programs that benefit the community, such as profit sharing with local charities when sales are made.

There are more examples. Pharmaceutical companies say they may not charge for a vaccine when it’s developed.1 Drugmakers have donated certain COVID medications free of charge. Other companies are enhancing communications with suppliers to identify risks and minimize disruption in the delivery of their products and services to customers.

Point of view | 2
Doing good yields goodwill. And that goodwill can translate into brand loyalty, pricing power, a robust customer base, and motivated employees, all of which should endure well beyond the current crisis.

3. How the company is positioning now for the long term

It’s true that necessity is the mother of invention. As a result of this crisis, businesses have been compelled to evolve—how they work, how they produce their products and services, and how they go to market. Some also have had to accelerate plans that, in a different environment, might have taken much longer to come to fruition.

Every day there are news stories of innovations developed in record time and companies contributing their expertise and equipment to support the cause or to fulfill a new demand.

- Technology companies are offering new services. As the world works remotely, new apps are popping up to satisfy the demand for live video, and many companies in other industries are embracing digital transformation to assist their now remote workforces.
- The medical field has accelerated the use and effectiveness of telehealth. In a survey by PwC’s Health Research Institute, 5% of consumers said they used telehealth during the crisis, and 88% of those say they would use it again. In addition, some doctors are using artificial intelligence to triage COVID-19 patients.
- Clothing manufacturers are making personal protective equipment.
- Liquor distilleries and oil and gas giants are making hand sanitizer.
- Carmakers are making respirators and ventilators.

Many of these new business initiatives will live on past the crisis, becoming new sources of revenue and expanding the historical customer base.

And everyone can be part of the new economy. The companies making innovative advances are not the behemoths we might have expected.

Companies are also re-evaluating and streamlining their cost structures to weather the pandemic. This is understandable, and in some ways, it accelerates inevitable decisions. But, just as importantly, companies are continuing to invest in key areas that will contribute to a stronger future, such as digital transformation and customer experience.

The pandemic is also forcing companies to reconsider their culture and value systems. Culture is a complex, multidimensional topic that is coming into focus as companies try to find the right balance of virtual and physical work. We expect today’s heightened appreciation for employees to become part of tomorrow’s corporate culture.

As companies consider greater transparency in these areas, some interesting questions arise. How will the company ensure that this compassion for and consideration of employee well-being lives on? How will leaders remember the shared experience of the pandemic, but still move forward? How can a new culture be created that supports the company’s vision of the future?

Leaders have the opportunity to adapt their styles to consider the impact to employees in every decision, and we encourage them to do so—for the sake of the employees and the company.

1 A Manhattan Project for Covid-19, WSJ podcast, April 29, 2020
2 The COVID-19 pandemic is influencing consumer health behavior. Are the changes here to stay?, PwC, April 2020
3 Doctors are using AI to triage covid-19 patients. The tools may be here to stay, MIT Technology Review April 23, 2020
4 These new gadgets were designed to fight COVID-19, World Economic Forum, April 5, 2020
Sharing with stakeholders is worth the effort

**Investors**

Many investors are now evaluating companies based on how they’re responding to the worst economic recession and global health emergency in a century. Being transparent about a company’s response to COVID-19 gives the investment community enhanced insight about the company, which builds trust. Sharing this information helps investors understand where the company is today during the crisis, but more importantly, where it can get to tomorrow. It may also help investors differentiate a sustainable business model that can withstand pressure from one that cannot. Not providing it may even hurt a company’s valuation or cost of capital.

An April study conducted by a Harvard professor and individuals from State Street Associates considered whether “investors differentiate across companies based on a firm’s human capital, supply chain and operating crisis response” to the COVID-19 crisis. They concluded:

… companies with more positive sentiment exhibit higher institutional investor money flows and less negative returns than their competitors.

**Our core ESG conviction is that issuers succeed long term—and hence deliver shareholder returns—when they create value for all stakeholders:** employees, customers, suppliers, the environment and wider society. When crises like Covid-19 manifest, particularly with social and environmental causes and implications, investors can see ESG as a defensive characteristic.

Others have focused beyond the societal impacts, and considered the impact of the pandemic on all of the environmental, social, and governance (ESG) risks and opportunities.

**Another benefit we’ve noted** is that a well-executed ESG strategy creates intrinsic value, and companies that are transparent about how they address stakeholder interests may see intrinsic value turn into market value over time.

**Consumers**

Global communications firm Edelman updated its Trust Barometer for COVID-19, and it’s clear that brand loyalty can generate a positive response. In fact, 65% of respondents said a brand’s COVID-19 response will have a “huge impact” on the likelihood of buying from that brand in the future. An even higher percentage, 90%, believe that the role of business is to protect the well-being of employees and suppliers at all costs.

**Edelman COVID-19 Trust Barometer 2020**

- **90%** Brands must do everything possible to *protect* the well-being of their employees and suppliers at all costs
- **78%** Businesses have the responsibility to ensure *protection* of their employees and that they do not spread COVID-19
- **71%** Will *never again* trust brands they see as placing profits before people
- **65%** A brand’s COVID response will have a *huge impact* on my likelihood to buy from that brand in the future
- **33%** Have *already punished* brands that did not respond well in response to the crisis

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1 Corporate Resilience and Response During COVID-19, Alex Cheema-Fox, Bridget R. LaPerla, George Serafeim and Hui (Stacie) Wang, April 20, 2020
2 ESG Matters: Climate and ESG outperforming during COVID-19, HSBC, March 25, 2020
3 Could focusing on stakeholders increase your company’s value?, PwC, Feb 6, 2020

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2020 Edelman Trust Barometer Special Report: Brands and the Coronavirus.
Percentage of respondents who agree.
Conclusion

One outcome of the COVID-19 pandemic is a clear shift in the role and expectations of a company. During this crisis, many companies have shown outstanding commitment to their stakeholders, especially their employees and communities. Being transparent about a company’s focus on all stakeholders builds trust with those stakeholders, which can, in turn, increase shareholder value. Sharing this information gives investors a full picture of the business and helps them evaluate how well companies have withstood the crisis and what the future may hold as they move past it.

We believe this is the beginning of a new era of corporate social responsibility that can only help companies come out of this crisis stronger and even better positioned than before.

To have a deeper discussion, reach out to us:

Wes Bricker
US and Mexico Assurance Leader and Vice Chairman
wesley.bricker@pwc.com

Heather Horn
US Strategic Thought Leader
heather.horn@pwc.com