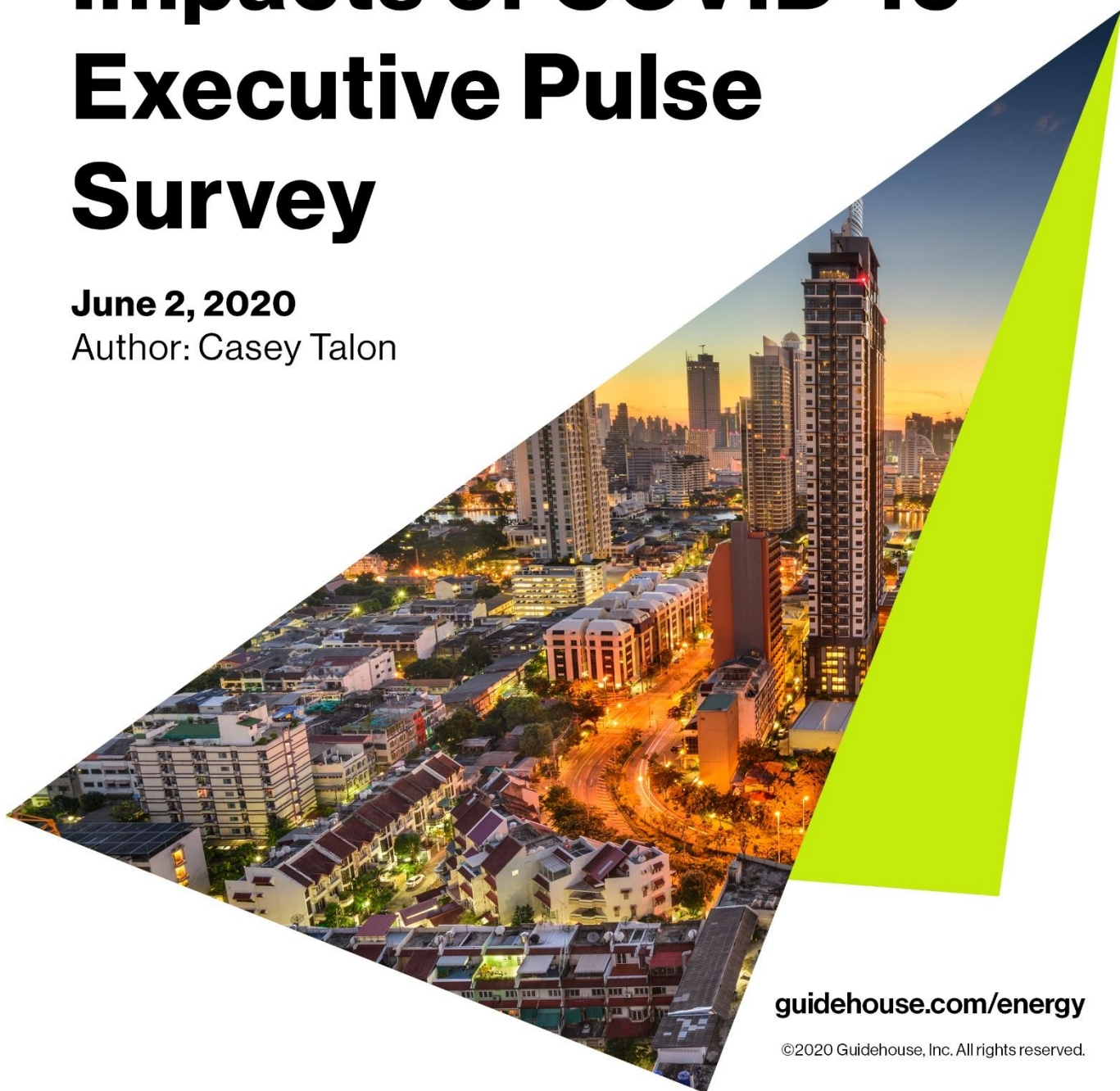




Impacts of COVID-19 Executive Pulse Survey

June 2, 2020

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Executive Summary

100-plus executives share their perspectives on economics, operations, and planning with an eye toward long-term recovery while facing harsh realities for the near term

Guidehouse's *Impacts of COVID-19 Executive Pulse Survey* captured insight from private and public sector executives on the impacts of COVID-19 and the worldwide mandates for economic shutdown. The survey was designed to find common experience and trends to help leadership understand impacts, execute mitigation plans, and where possible, begin preparing for near- and long-term recovery efforts. The survey responses yielded two big takeaways. First, significant uncertainty confounds decision-making in the short term. Second, there are clear paths forward and opportunities to reset legacy paradigms for a more resilient future.

Respondents were asked about disruption to and planning for changes in supply chains, employee engagement, business development, financial viability, stakeholder support, and ongoing risk management. Although “too early to tell” surfaced as a common response, some surprising conclusions are good reminders that it is not too early to reevaluate near-term action plans and reassess long-term strategies to best prepare for reopening and recovery.¹

Uncertainty is a universal challenge, but there are promising paths to recovery and long-term resilience

Executives are clearly concerned about the uncertainty around disease treatment, the availability of a vaccine, and the broader impact of the shutdown on the global economy and their business. First quarter 2020 financial earnings announcements and government budget discussions are beginning to portend a protracted and uneven recovery. But leaders are looking for paths forward.

Guidehouse suggests business realities forced by the pandemic are accelerators for transformations that were already unfolding. Before COVID-19, the growth of the digital economy was redefining the workplace; shifting employee, consumer, and citizen expectations for both business and government; and forcing executives and organizational leaders to reprioritize investment options and work and business approaches.

The survey results underscore the challenge of planning amidst uncertainty. Guidehouse suggests they also signify opportunities in three critical areas that build on early wins in the expanding digital economy and set the path to recovery and improved resilience:

- **Execute a flexible work strategy:** Remote work and employee engagement ranked as the number one disruption to business continuity. When asked specifically about work-from-home experience, the majority (56%) reported that their teams working from home are “transitioning toward business as usual productivity.” This response is notable because the survey was fielded relatively early into widespread shelter-in-place mandates.² Before the crisis, the shift toward a more virtual work environment and digital

¹ Detailed survey results are available upon request.

² Guidehouse fielded the online survey from April 22 – May 4, 2020.

economy led to demands for increased work-from-home options and supporting technology solutions. Early investment into teleworking solutions has certainly eased the transition for many businesses, but 100% remote is a whole different set of circumstances to navigate. Many executives see benefits as well as the downside of having more of their workforce work from home. Going forward, Guidehouse recommends that organizations, independent of future pandemic threats, should introduce greater flexibility to minimize employee disruption and meet the shifting demands of the workforce.

- **Retain commitment to long-term goals:**

Executives are in a tactical mindset. They are optimistic about resuming business and project work, and uncertain about longer-term corporate goals. Although 56% have seen as many as half of their critical projects put on hold or canceled, most expect the projects to resume, and 77% expect capital investments to stay the same or increase in the 12 months after recovery. If you consider sustainability a longer-term and more aspirational corporate goal, results get cloudy. When asked about the pandemic's impact on their environmental, social, and governance (ESG) goals specifically, respondents were split between staying the course and too early to tell. Guidehouse recommends adopting a balanced approach in executing a safe and thorough back-to-work action plan alongside a long-term focus on expansive stakeholder demands. ESG is increasingly a prerequisite for establishing market leadership. Through the turbulent financial market swings of the first quarter of 2020, companies with higher ESG factors outperformed the broad market since its February peak, contradicting views that the trend is just a bull market phenomenon. In short, ESG commitments are linked to better financial performance and critical to building market share as the recovery accelerates. Customers recognize it, employees seek it, and shareholders demand it.

- **Leverage diverse options to reduce costs and reset investments:** As leaders set priorities as business returns, they will be challenged to address investment needs and financial impacts of the shutdown. The outlook is grim: about 60% of executives project revenue loss for their industry during the pandemic and 31% expect sustained losses into the 12 months following the pandemic. These likelihoods make new project investment a big challenge, and may shift the priorities to short-term cost optimization opportunities. At the same time, investments that drive resilience—such as in real estate, infrastructure, and energy—are even more critical to hedge the risk of potentially

**56%**

of executives state that their teams working from home have returned to normal productivity levels

**77%**

of executives expect capital investments to stay the same or increase in the 12 months after recovery

greater economic impacts of the next global crisis that unfolds as a result of climate change. Guidehouse suggests executives explore innovative approaches to financing project work and addressing capital requirements with mechanisms such as flexible workspace lease options and X as a service (e.g., energy, travel). In the evolving reality of today's economy, the use case for off-balance-sheet options is becoming even more compelling.

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Short-term outlook will force governments and businesses to look for ways to reduce costs and make different investments without affecting service levels and output.

Diving into the Details: Key Themes and Data Points

The Guidehouse *Impacts of COVID-19 Executive Pulse Survey* asked executives from energy companies and utilities, public sector, and private industry 17 questions related to how their organizations are navigating disruption to supply chains, employee engagement, business development, financial viability, stakeholder support, and ongoing risk management. Although uncertainty was a universal takeaway (a.k.a. it is too early to tell), the short-term realities are buffered by indications of opportunities that will lead to successful longer-term recovery.

All stakeholders have repeatedly highlighted the degree of uncertainty currently plaguing financial markets and institutions. There is uncertainty about how badly the virus will affect different countries, how long containment measures must persist in different markets, how effective policy will be at mitigating lost activity, and how households and firms will change their behaviour in the medium term. – World Economic Forum³

The Guidehouse *Impacts of COVID-19 Executive Pulse Survey* results show a duality surfacing from the uncertainty—a fear of the near term alongside a sense of opportunity for the future, as Figure 1 illustrates.

Figure 1. Uncertainty in Context, Execution, and the Future



(Source: Guidehouse)

Even the idea of business continuity differs across industry. Differing government declarations of essential work, varying exceptions to work-from-home requirements, and diverse strategies to

³ World Economic Forum, “Impact of COVID-19 on the Global Financial System,” April 2020, http://www3.weforum.org/docs/WEF_Impact_of_COVID_19_on_the_Global_Financial_System_2020.pdf.

reopen color the reality of executing work. Huge fluctuations on Wall Street underscore the message that the economic impacts of the pandemic are still evolving, which makes business planning and decision-making even more difficult.

Moving Beyond “Too Early to Tell”

The economic fallout continues to pile up, and respondents shared an early sense of scale: nearly 60% of respondents project revenue losses during the pandemic, and 70% project losses in the 12 months that follow. Despite these clear impacts on the bottom line, four out of five respondents expect capital investments to either remain constant or increase in the 12 months that follow the pandemic. Respondents shared confidence in their business line preparedness, but recognized an enterprise view of risk is paramount. The results showed 95% of

respondents noted they will explore the need or revisit their enterprise risk management framework and continuity of business plan. This finding is interesting considering there was strong confidence when respondents ranked their organization’s level of preparedness across specific areas of business. Overall, the enterprise risk management framework rated lowest. Routine emergency plans and processes of the past are not all effective in a crisis ruled by so much uncertainty and no reasonable precedent.

So how do we bridge the transition from uncertainty and wait-and-see approaches to proactive capital investment and get-back-to-work initiatives? Based on the survey, Guidehouse recommends that executives and organizations focus on three critical areas described in the following sections.

**95%**

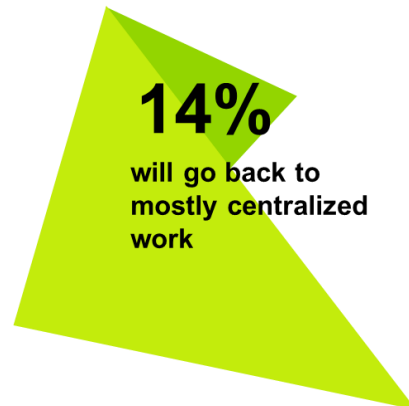
of respondents noted they will explore the need or revisit their enterprise risk management framework and continuity of business plan

Execute a Flexible Work Strategy

Employee engagement and remote work ranked highest in disruption to operations. Yet, when asked specifically about remote work, more than half of respondents reported “transitioning toward business as usual productivity,” and only 14% reported they “will go back to mostly centralized work.”

Indeed, remote access, mobile technology, more distributed IT support, and ubiquitous teleworking-enabling technologies and best practices have supported a relatively seamless transition to remote working and sustained productivity. The confidence gained by this forced experiment at scale have led major industry leaders to signal a potential radical shift in how business gets done:

The past few months have proven we can make [remote working] work. So if our employees are in a role and situation that enables them to work from home and they want to continue to do so forever, we will make that happen. If not, our offices will be their warm and welcoming selves, with some additional precautions, when we feel it's safe to return. – Twitter⁴

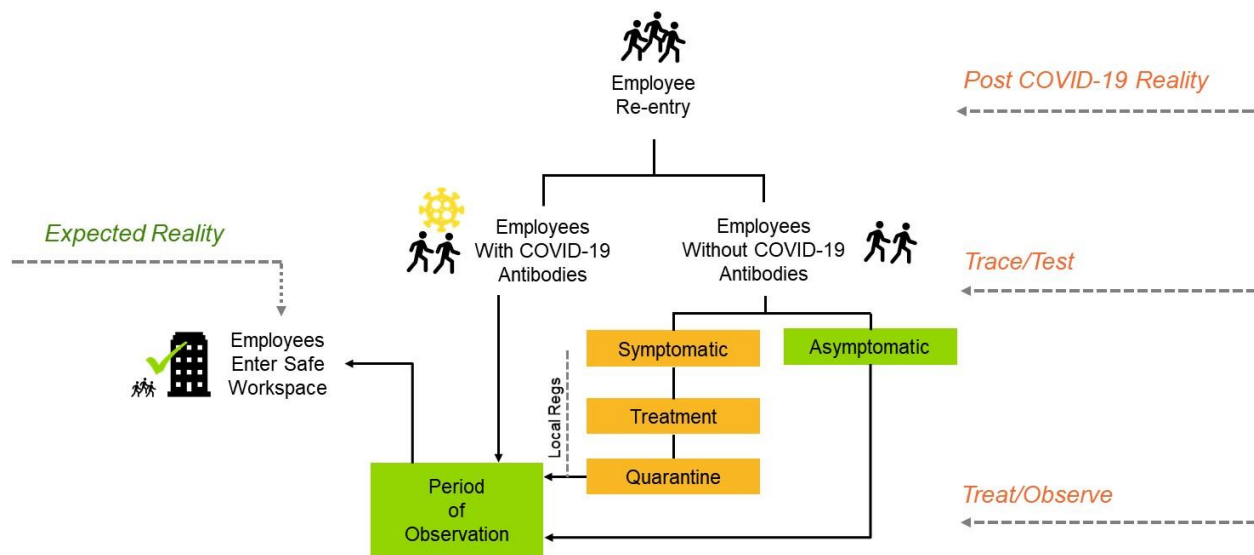


For nearly two-thirds of respondents who reported “too early to tell” or “reassessing space requirements,” Guidehouse recommends applying lessons learned from this forced work-from-home experiment to develop a more resilient future workplace. Before COVID-19, the demand for workplace flexibility was an increasing priority across businesses. According to a 2018 *Forbes* article, research showed that millennials might not even consider a job opportunity if it doesn’t offer a remote work opportunity.⁵ The fact that most companies are seeing a trend toward business as usual productivity offers hope that the shift toward flexibility, even if not to a 100% remote workforce, is doable.

Furthermore, ongoing public health risks of the novel coronavirus will eliminate 100% return to legacy workplace density because of sustained social distancing mandates. Infectious disease authorities caution that significant expansion to testing, sustained social distancing, and redefined workplaces and public space use are necessary to mitigate the risk of disease resurgence. Managing mixed signals can be challenging for organizations, especially for those operating across multiple jurisdictions. Guidehouse has defined a *Return to Work Framework* to help instill confidence in employees that their health and safety is the number one priority, and that policies and procedures are in place to make that priority a reality.

⁴ Jennifer Christie, “Keeping Our Employees and Partners Safe During #Coronavirus,” Twitter Blog, May 12, 2020, https://blog.twitter.com/en_us/topics/company/2020/keeping-our-employees-and-partners-safe-during-coronavirus.html.

⁵ Heidi Lynne Kurter, “5 Ways Millennials Are Shaking Up the Workforce from the Bottom Up,” *Forbes*, November 2018, <https://www.forbes.com/sites/heidilynnekurter/2018/11/15/5-ways-millennials-are-shaking-up-the-workforce-from-the-bottom-up/#a8bc222415a9>.

Figure 2. Guidehouse Return to Work Framework


(Source: Guidehouse)

The demand dynamics for products and services that facilitate office work may be permanently redefined by COVID-19. Guidehouse suggests that the pandemic has effectively accelerated an evolution of workplace strategy that was already underway based on our ongoing research and collaboration with clients. An entire ecosystem of technologies has been developed to meet the shifting demand of the workforce.

As an example of the potential acceleration of industry trends, numerous digital technology extensions to legacy infrastructure and systems, under the umbrella of the smart building, were already gaining momentum before the pandemic. As the immediate focus shifts to making office space useable under new constraints for distancing and health, these solutions have even more compelling value propositions.

Digital tools to support productivity, support dynamic office environments, and manage a new paradigm of work-life balance are available to aid executives as they define and execute a return to work strategy. A refined set of use cases for flexible workplace digital solutions will emerge as we enter a post-social distancing era. The following options, for example, can support return to work frameworks like the one defined by Guidehouse earlier:

- Advanced security and access control offerings that manage space by monitoring occupancy and adherence to indoor social distancing guidelines
- Tailored indoor air quality sensing and analytics to monitor airflow and occupancy and optimize ventilation for health
- Hoteling and space optimization tools for reserving workspace
- Occupant engagement applications for managing maintenance and customization requests

These illustrative technology advancements represent near-term, small-scale investment opportunities for the immediate get-back-to-work tasks for the office environment. Although work-from-home mandates created an immediate disruption for most organizations, it is clear ingenuity prevailed for many businesses.

Guidehouse recognizes organizations will face differing challenges as business reopens with risks of resurgence of illness, shifting mandates on office environmental controls, and employee concerns. The best path forward will include an eye on continuous improvement in processes and procedures to protect employee health and well-being. Guidehouse has defined the following roadmap to support ongoing business expansion after organizations deploy the *Return to Work Framework*.

Figure 3. Guidehouse Roadmap for Building Business Continuity



(Source: Guidehouse)

The *Guidehouse Roadmap for Building Business Continuity* is designed to support leadership in any organization overlay a process for monitoring, managing, and preparing for ongoing changes to public health risks. The roadmap identifies explicit actions necessary in the near term and procedures that should be adopted into the long term.⁶

Retain Commitments to Long-Term Goals

From pragmatic to the aspirational, sustainability falls on the right side of the spectrum—or so it seems on the surface. These priorities and investments can seem discretionary and worth sidelining in times of critical economic challenges. Consider that 50% of respondents reported that the pandemic put their ESG goals on hold or that it is too early to tell the impact, meaning the other half are staying the course or seeing an opportunity to be more aggressive. But only a meager 13% of the sample selected the response “it opens new doors to increased ESG investments that support long-term business sustainability and resilience.” Guidehouse suggests executives need to take a deeper look at the implications of this viewpoint.

There are interrelated and compounding effects of the changes afoot in the aftermath of COVID-19 that mirror pressures of the emergence of the digital economy. Consider that the work-from-home success touted as a silver lining for many organizations could have a significant long-term trickle effect of abandoned commercial real estate, resulting in aftershocks to local and regional economies. The tax base shift may lead to a further implosion of the service industry and shortfalls in funding for critical public services such as police and fire

⁶ See Appendix A for additional detail on the roadmap steps and examples of how Guidehouse can offer support.

protection. In New York City, for example, real estate taxes provide about one-third of New York's revenue.⁷ That represents a significant lifeline for the continuous operation of municipal infrastructure and services.

Although executives are focused on the pragmatic—resuming project work, rebuilding sales pipelines, and executing projects—a long view approach that integrates sustainability into the workplace future must be a priority. It is not just about the office but the infrastructure that supports workplaces. A strategic approach to investment in transportation, energy, public services, and a horizontal overlay of technology will sustain reopened operations.

For any critical infrastructure, leaders should consider their strategies for the following areas as they define their long-term plans:

- Operational effectiveness
- Portfolio management
- Risk, regulatory, and compliance
- Strategic planning
- Technology investment and implementation

Guidehouse suggests investment is crucial as a means of driving a green recovery and mitigating risk to the organization's bottom line. Recent studies have shown that publicly traded companies with higher ESG factors outperformed the broad market since its February peak.⁸ Further underscored by Morningstar, "Like all equity funds, sustainable equity funds suffered sudden and large losses during the first quarter of 2020 because of the coronavirus pandemic, but they held up better than conventional funds. Seven out of 10 sustainable equity funds finished in the top halves of their Morningstar Categories, and 24 of 26 environmental, social, and governance-tilted index funds outperformed their closest conventional counterparts."⁹

Executives may also consider leveraging their influence on government leaders to implement green recovery packages, opening funding pathways for sustainable investments in critical infrastructure. Federal, regional, and local government recovery packages are still in debate or have yet to be proposed. There is opportunity to integrate sustainability and climate change policy that will build a more resilient and intelligent critical infrastructure system as we move well beyond our immediate COVID reality. The European Commission, for example, released a resolution that may result in a blueprint for long-term thinking in COVID-recovery policy:

Beyond what is already being done, Europe needs a massive recovery and reconstruction package to be financed by an increased long-term budget (MFF), existing EU funds and financial instruments, as well as "recovery bonds" guaranteed by the EU budget, MEPs say. It should not, however, involve the mutualisation of existing debt, but focus on future

⁷ Matthew Haag, "Manhattan Faces a Reckoning if Working from Home Becomes the Norm," *New York Times*, May 12, 2020, <https://www.nytimes.com/2020/05/12/nyregion/coronavirus-work-from-home.html>.

⁸ Financial Times, "ESG Funds Continue to Outperform Wider Market," April 3, 2020, <https://www.ft.com/content/46bb05a9-23b2-4958-888a-c3e614d75199>.

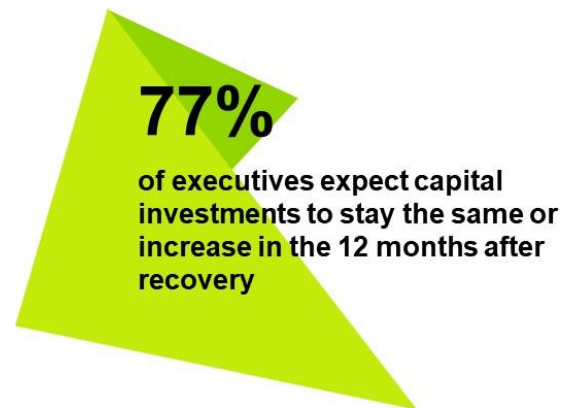
⁹ Jon Hale, "Sustainable Funds Weather the First Quarter Better Than Conventional Funds," Morningstar, April 3, 2020, <https://www.morningstar.com/articles/976361/sustainable-funds-weather-the-first-quarter-better-than-conventional-funds>.

investment. The European Green Deal and the digital transformation should be at its core in order to kick-start the economy, MEPs stress.”¹⁰

Leverage Diverse Options to Reset Investment

Nearly 80% of executives in the survey reported they expect investment to stay the same or increase after the pandemic. How will that come to fruition as market fluctuations create tenuous risk? Guidehouse suggests leaders take a broad, all-in strategy to achieve investment goals and accelerate commitments to more sustainable and resilient infrastructure.

Public-private partnerships, government and utility financial incentives, and alternative off-balance-sheet financing options should be levers to move forward critical projects. This opportunity should be seriously considered as more than half of respondents shared that at least 50% of their projects are on hold or canceled. Guidehouse suggests the recovery period will further advance innovation in business models that had been introduced before the pandemic. Energy as a service (EaaS) is one such business model already deployed that can deliver comprehensive, high cost projects off balance sheets and with a transfer of risk from customer to partner. There are numerous case studies customers can look to for best practices and benefits of EaaS in higher education, government agencies, and the private sector.



The X as a service model generates value for both partners in the engagement. Such long-term projects create a sustained revenue stream and embedded solutions providers as a part of customer organizations. At the same time, customers relinquish risk associated with a range of considerations from cybersecurity to energy savings and operations and maintenance of complex equipment. The recovery period from coronavirus makes this partnership model even more compelling, and new use cases and refined models are emerging to support customers overcoming investment hurdles.

The as a service construct builds on the foundation of software as a service, a mature business model many organizations rely on for business tools. A subscription-type pricing model, ongoing service, and technology management and deployment can be refined to address a host of customer challenges. A few models that might garner greater attention in the post-COVID era include:

- Lighting as a service is a narrower technology-specific model that can be deployed alongside connected LED lighting systems in conjunction with technical, maintenance, and financial services. The partnership extends with maintenance and management, and might include the recycling or disposal of equipment at the end of its life. This approach allows

¹⁰ European Parliament, “COVID-19: MEPs call for massive recovery package and Coronavirus Solidarity Fund,” April 17, 2020, <https://www.europarl.europa.eu/news/en/press-room/20200415IPR77109/covid-19-meps-call-for-massive-recovery-package-and-coronavirus-solidarity-fund>.

customers to invest in an advanced smart building solution with the support of partners that bring both the IT and lighting technical expertise to ensure successful execution.

- Space as a service extends the partnership model to offer real estate upgrades customized to market needs. This model may be well suited for the new office profile of the post-COVID era in particular. Owners will be stretched to retrofit spaces with tools, technologies, and equipment to support indoor social distancing and optimize indoor air quality, ventilation, and occupancy.
- Infrastructure as a service takes the idea even further as a model for upgrades to the broader critical systems that support the reopening of the economy. Such partnerships offer an innovative approach to financing. For example, mobility as a service includes the aggregation of routing and payment across multiple modes of travel—train, bus, car, micromobility (e.g., bike, electric scooter), automated vehicles, and others. Such solutions might enable public entities to find a way to be relevant in the post-COVID era.

Final Thoughts

The Guidehouse *Impacts of COVID-19 Executive Pulse Survey* offers a range of perspectives on the business implications of sustained uncertainty, concerns about public health and employee well-being, and expectations for returning to work. Although the sentiment is one of “too early to tell” for now, respondents generally remain optimistic about a long-term return to business as (mostly) usual. Still, this pandemic is like nothing we have collectively faced before. Nothing about navigating the pandemic will be easy. Returning to work will be complex and force difficult conversations at the intersection of safety, customer service, and economic vitality.

Through Guidehouse’s work supporting public agencies through federal shutdowns and private corporations through the financial crisis of 2008, we have partnered with clients to define the *Guidehouse Return to Work Framework* and *Roadmap for Building Business Continuity* to instill confidence in employees that their health and safety is a priority, effective processes are in place, and long-term vision has been adopted to foster recovery.

Guidehouse suggests a balanced approach of near-term action plans and long-term strategies that embrace more sustainable pathways forward. Specific near-term recommendations include:

- Evaluate, plan, and implement a return to work strategy focused on employee health. Define expectations for testing, cleaning and maintenance, and space use design to minimize health risks and comply with social distancing mandates.
- Create a long-term plan for business continuity that integrates enterprise risk management strategies and contingency plans.
- Deploy a flexible work plan that complies with near-term mandates for office space density reductions and reflects underlying demands of the next generation of business leaders and the digital economy.
- Integrate sustainability into strategic investment planning to contribute to critical infrastructure resilience and support widespread stakeholder demands for sustainability commitments.

For additional information and discussion on detailed results or other aspects of return to work, please contact us.

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Appendix A. Guidehouse Roadmap for Building Business Continuity Details





Step 2

Continual monitoring of changing environment

Key Activities

- Develop tracking system to continually monitor and review developments to guidelines and requirements at
 - All levels of government (federal, state, and local)
 - Professional organizations and associations
- Analyze and identify impact of updates and changes to activities of employees

Issues to Address

- Impact of updates and changes to employee activities
 - Key sources of risk
 - Necessary actions to mitigate risk
- How do environmental changes impact our approach?
- What actions are required or resources needed to address?

Guidehouse Experience

- Engaged by numerous clients to run benchmarking studies, providing insights along with actionable market dynamics updates
- Regulatory tracking regarding evolving COVID-19 response

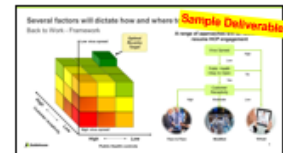


Step 3

Develop strategy and options for restart and re-entry

Key Activities

- Develop strategy and scenarios based options, incorporate key factors such as:
 - Level of virus spread and regional impact
 - Public health controls and readiness of systems
 - Customer preparedness and receptivity
- Establish governance structure and framework for decision making
- Pressure test options with internal experts to gauge feasibility



Issues to Address

- Identify and align on the key levers that will drive the scenarios for prioritization
- Identify gaps and hurdles to operationalize strategy, such as:
 - Testing availability (partnership vs. build your own)
 - Employee buy-in and alignment of incentives
- Resource requirements and contingency plans

Guidehouse Experience

- Establishing the regulatory requirements for CLIA Lab COVID-19 testing
- Establishing the regulatory requirements for convenience kits to support testing





Step 4

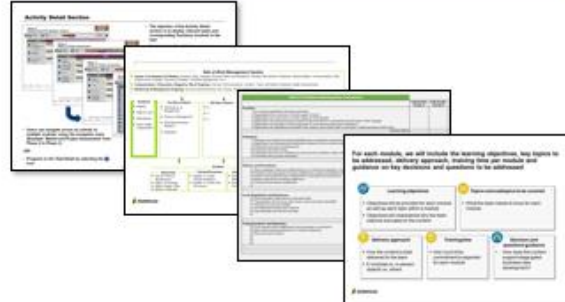
Develop and deploy SOPs

Key Activities

- Establish Core Team and governance structure
- Develop SOPs (standard operating procedures)
 - Key materials
 - Training modules and programs
- Project management
 - Implementation and roll-out plan

Sample Deliverables

Gate Review/Compliance Audit
Covid Response Team Construct
Team Structure & Responsibilities
Project Plan and Playbook
Playbook Execution
• Assessments
• Dashboard and Analytics
• Facilities Planning
• Communications
• Policy Development
• Employee Engagement
• Training
• Recommendations
• Reporting and Tracking
• Subject Matter Experts
Site Specific Playbooks and SOPs
Operating Model Optimization
Workforce Transformation
Change Management



Step 5

Continuous monitoring plan

Key Activities

- Implement a continuous monitoring plan
 - Develop process, roles and responsibilities
 - Establish governance structure and checkpoints
 - Set criteria for action and decision making framework
- Revise and adapt re-entry strategy and SOPs as needed
- Develop master data management and visualization process for real-time monitoring (e.g., dashboards, apps)

Issues to Address

- How will updates and revisions impact employees and customers?
- What downstream impacts can be anticipated?
- Can the triggering event be mitigated without revision to strategy or SOPs?
- What technologies to deploy?



About Guidehouse

Guidehouse is a leading global provider of consulting services to the public and commercial markets with broad capabilities in management, technology, and risk consulting. We help clients address their toughest challenges with a focus on markets and clients facing transformational change, technology-driven innovation and significant regulatory pressure. Across a range of advisory, consulting, outsourcing, and technology/analytics services, we help clients create scalable, innovative solutions that prepare them for future growth and success. Headquartered in Washington, DC, the company has more than 7,000 professionals in more than 50 locations. Guidehouse is led by seasoned professionals with proven and diverse expertise in traditional and emerging technologies, markets and agenda-setting issues driving national and global economies. For more information, please visit: www.guidehouse.com.

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