

— at the — TONE TOP[®]

Providing senior management, boards of directors, and audit committees with concise information on governance-related topics.

Issue 101 | October 2020

COVID-19 Lessons Learned and Thriving in the New Normal

The global turmoil created by COVID-19 continues to impose itself in myriad ways on business operations, workplace culture, and in the larger societal context. As we surpass the half-year mark of restricted interaction, work-from-home scenarios, and heightened crisis management, the possible long-term impacts of the pandemic are becoming clearer.

In the short term, organizations generally have rallied successfully to update risk assessments and internal audit plans, and data from surveys of chief audit executives (CAEs) reflect stronger alignment and communication among boards and other key risk management players on the challenges and opportunities created by the pandemic (See August *Tone at the Top*, [The Board's Role in an Evolving Internal Audit Plan](#)).

The scramble to react, regroup, and simply survive the pandemic has exposed strengths and weaknesses of risk management and control processes. This affords organizations the opportunity to understand and shore up weak areas and leverage strengths. One area many organizations are choosing to improve is use of technology.

The pandemic has clearly accelerated the digital revolution. A recently published study from the IBM Institute for Business Value found nearly six in 10



C-suite executives report their organizations have sped up digital transformations, with perceived barriers such as technology immaturity and employee opposition falling away. This affirms similar reports from risk leaders interviewed for The IIA's upcoming OnRisk 2021 report, which will be published in early November. One C-suite executive related, "It's amazing how [disruptive innovation] is driven by this virus. We're advancing the technology scale a few years in just a few months."

Beyond short-term tactics and technology shifts, organizations are beginning to explore how disruptions created by pandemic responses, such as remote workforces, greater emphasis on e-commerce, and changing consumer habits, will permanently change operations and strategies.

Long-term Impacts and Risk

As the haze of the initial crisis response clears and organizations begin to assess the landscape of the new normal, repercussions from COVID-19 generally will fall into four categories:

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The Institute of Internal Auditors, Inc. is a global professional association with more than 200,000 members in more than 170 countries and territories. The IIA serves as the internal audit profession's chief advocate, international standard-setter, and principal researcher and educator.

The IIA

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- Those we know about that are happening now, such as heightened cybersecurity risks created by vulnerable home-worksites.
- Those we can reasonably anticipate, such as changing workplace cultures and talent management strategies.
- Those we don't know about that are happening now.
- Those we cannot reasonably anticipate.

In each instance, the effects likely will have lasting impacts on business and social interactions at the micro and macro levels. Organizations that fail to scrutinize and understand how these changes impact their operations will struggle in the pandemic's aftermath. For example, talent management will likely undergo significant changes.

From the upcoming OnRisk 2021:

"This significant disruption to talent management, as well as its impact on morale, productivity, and workplace culture, will have both short- and long-term implications for organizations. Three areas offer evidence of its potential disruption.

1. As organizations have quickly adopted new technologies to adapt to the pandemic, finding talent with new or modified skills has been critical. Organizations that responded most nimbly and effectively to this challenge may be more likely to emerge from the pandemic in a position of strength.
2. The work-from-home phenomenon has fundamentally changed how organizations recruit and manage talent. This accelerated evolution in the employment contract has positive and negative implications. While having a majority of the workforce operating in home settings posed significant immediate challenges in technology, cybersecurity, and logistics, it all but eliminated the limitation of geographic considerations when identifying and hiring the right talent. What's more, generous work-from-home options may become standard if organizations hope to compete for top talent in the future.
3. The 'new normal' for employment has complicated the work-life balance equation, yielding multiple talent management implications related to paid time off, productivity, morale, and workplace culture."



Learning From the Past

Deciphering how and when impacts from the pandemic will manifest themselves will improve how we manage them, and studying historical business and societal changes in the wake of the 1918 influenza pandemic might offer useful context.

The 1918 pandemic, also known as the Spanish Flu, killed more than 50 million people globally and likely hastened the end of World War I. In her book, *Pale Rider: The Spanish Flu of 1918 and How it Changed the World*, Laura Spinney lays out fundamental changes in medicine, government approaches to healthcare, and societal shifts in how minority populations were treated in the pandemic's aftermath.

"The lesson that health authorities took away from the 1918 catastrophe was that it was no longer reasonable to blame individuals for catching an infectious disease, nor to treat them in isolation. The 1920s saw many governments embracing the concept of socialized medicine — healthcare for all, free at the point of delivery. Russia was the first country to put in place a centralized public healthcare system, which it funded via a state-run insurance scheme, but Germany, France, and the UK eventually followed suit. The U.S. took a different route, preferring employer-based insurance schemes — which began to proliferate from the 1930s on — but all of these nations took steps to consolidate healthcare, and to expand access to it, in the post-flu years."

Indeed, the shift in thinking on public health led to the opening of an international bureau for fighting epidemics in 1919 — a forerunner of today's World Health Organization (WHO).

Johns Hopkins sociologist and historian Alexandre White offers observations on how the Spanish Flu highlighted inequality, and how modern parallels could as well. He makes the case that current high unemployment and strained social welfare programs could leave large portions of the workforce — particularly those in hard-hit areas such as food-service, hospitality, and travel — struggling to survive the COVID-19 fallout.

"We are also seeing now how racial inequalities and existing health disparities are putting certain people at greater risk of severe symptoms and complications. These are the products of social inequality as much as epidemic dynamics."

TERMS FOR A NEW SOCIAL CONTRACT

Discussions about COVID-19's long-term social impacts have already begun, particularly among international financial, economic, and relief organizations. The International Monetary Fund asked six prominent thinkers to address life after the pandemic, and many of their comments centered on fundamental changes to society.

James Manyika, chairman and director of the McKinsey Global Institute, wrote about how the pandemic has changed remote working and learning, telemedicine, and how services are delivered. What's more, structural changes, such as regionalized supply chains, are likely already happening, he said. Manyika also addressed the potential for fundamental changes in how we view work.

"The future of work has arrived faster, along with its challenges — many of them potentially multiplied — such as income polarization, worker vulnerability, more gig work, and the need for workers to adapt to occupational transitions. This acceleration is the result not only of technological advances but also of new considerations for health and safety, and economies and labor markets will take time to recover and will likely emerge changed.

With the amplification of these trends, the realities of this crisis have triggered reconsideration of several beliefs, with possible effects on long-term choices for the economy and society. These effects range from attitudes about efficiency versus resilience, the future of capitalism, densification of economic activity and living, industrial policy, our approach to problems that affect us all and call for global and collective action — such as pandemics and climate change — to the role of government and institutions."

Manyika is not alone in recognizing that COVID-19 will be a catalyst for a fundamental rethinking about work.

In July, the CEO of ING France called on organizations to reinvent the "future of work" by reinventing business models, rethinking the role of work, and becoming agile to better meet external challenges as well as the expectations of consumers and employees. Writing for the French newspaper, *L'Opinion*, Karien van Gennip challenged organizations to seize the opportunity for change.

"We have long claimed that we are far too busy to break free from our established patterns. With the COVID-19 crisis, we have the opportunity and the duty to rethink our social contract. As companies, we must also provide transparency and results. Let's not wait for governments to issue guidelines or level the playing field. Let's take the opportunity today to shoulder our responsibilities together."



The uncertainty and anxiety created by COVID-19 has likely fueled the racial justice movement in the United States, as well as the increasingly strident political discourse leading up to next month's elections. Indeed, COVID-19's impact on society generally raises a risk area that arguably will create the most significant long-term impact on business and economies — how the pandemic will influence the social contract.

The concept of social contracts — an implicit agreement among the members of a society to cooperate for social benefits — invariably will be questioned and tested as the pandemic amplifies the divide between the haves and the have-nots.

¹ TIME: BY LAURA SPINNEY MARCH 7, 2020, Spinney is the author of *Pale Rider: The Spanish Flu of 1918 and How It Changed the World*.

² HOW PANDEMICS SHAPE SOCIETY, Johns Hopkins sociologist and historian Alexandre White.

³ James Manyika, chairman and director of the McKinsey Global Institute, *Life Post-COVID-19*, Six prominent thinkers reflect on how the pandemic has changed the world, IMF.

⁴ A POST-COVID SOCIAL CONTRACT, Karien van Gennip. *L'Opinion*, July 3, 2020, as translated on INSEAD.edu, <https://knowledge.insead.edu/blog/insead-blog/a-post-covid-social-contract-14876?page=1%2C0>.



Quick Poll Question

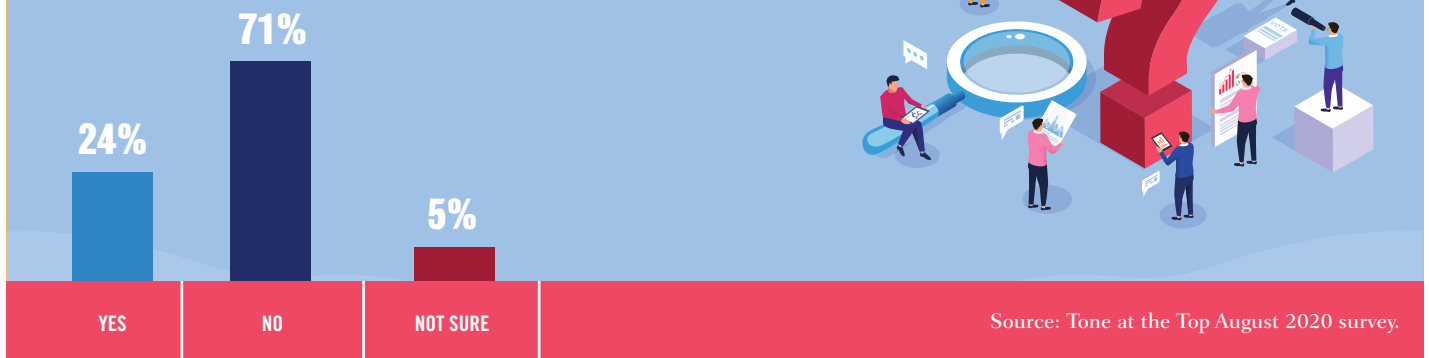
How has the COVID-19 pandemic changed your organization for the better? (Choose all that apply.)

- We have become better aligned in how we manage risk.
- We have accelerated our use of technology.
- We have become more agile in handling disruptive change.
- We are still trying to figure it out.

Visit www.theiia.org/Tone to answer the question and learn how others are responding.

QUICK POLL RESULTS

Has your board requested more frequent audit plan updates since the onset of the COVID-19 pandemic?



Source: Tone at the Top August 2020 survey.

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