



## **How does your world look?**

Diversified Industrials COVID-19  
General Counsel and In-House  
Lawyer Impact Survey



## General Counsel and in-house lawyers of global industrial companies are facing increased workloads and shifting priorities to address the legal, regulatory, and commercial implications of COVID-19.

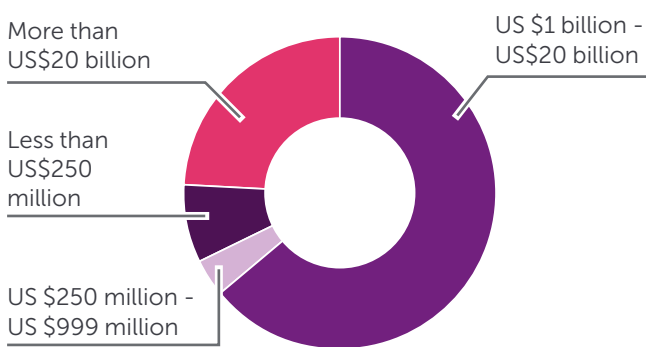
The role of the General Counsel and in-house function has undeniably changed in recent weeks, both in terms of scope and importance within the corporate suite.

In response and to increase awareness of the many challenges faced by in-house teams during COVID-19, Eversheds Sutherland surveyed 25 in-house general counsel from around the globe from organizations including FTSE 350 and Fortune 500 listed industrials to shed light on the issues of greatest concern among general counsel and, in the longer term, create some guidance on how in-house teams can address future pandemics such as COVID-19, if they occur again, as well as best practices emerging out of the crisis to resume operations.

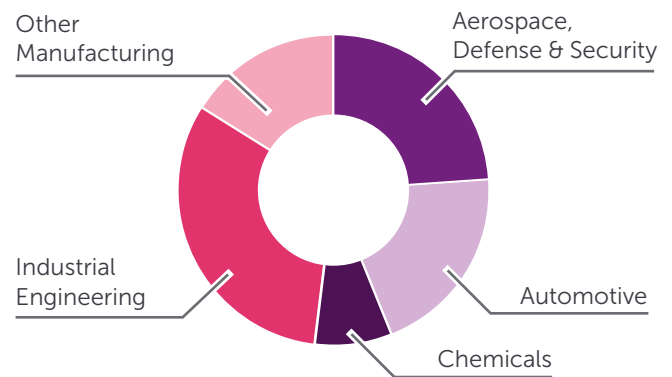
Thank you to all those that participated in our survey. We hope that your insight and views are helpful to others during these uncertain times.



**Participants work for global industrials organizations with revenues ranging from less than \$250 million up to more than \$20 billion:**



**Participants work for global industrials organizations most aligned to the following sectors:**



Key findings



**Potential for a global recession**

This is the top concern for General Counsel, as businesses try to rebound fully, and concerns around long-term customer demand and managing through a liquidity crunch pose long-term challenges to global industrials.



**Accelerating digitalisation and new ways of working**

General Counsel and organizations are starting to focus their strategy toward managed services and digitization of processes and documentation that can build greater efficiencies and security, such as the implementation of e-signatures, to manage short-term efficiencies and futureproof the way in which the business operates long-term.



**General Counsel need to "win hearts and minds."**

People are understandably worried and currently disorientated. Leaders need to reassure and devote time to listening and dealing with concerns. This investment of time enables people to feel valued, heard and able to deliver on their responsibilities, often going above and beyond.



**Customer demand and supply chain risk**

Anticipated workload due to disputed claims for force majeure or delay are concerns for many General Counsel and their legal teams. This is causing greater strain on teams that felt they were already lacking in capacity prior to COVID-19.



# Assessing the disruption to business operations

Global industrials with large workforces, numerous manufacturing sites and complex supply chains are experiencing significant impact to their business operations, which is causing concern for General Counsel around the world.

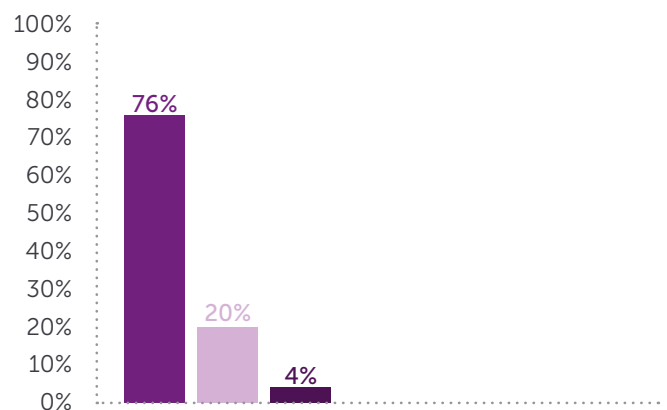
Those companies with a diverse portfolio of businesses and respective supply chains are finding some areas of their business hit harder in customer demand and supply chain disruption. This is particularly true in the automotive and aerospace sectors with OEM demand reduced and global aircraft fleets being grounded.

Certain businesses have remained resilient and continued to operate throughout the crisis. However, the majority of clients experienced supply chain issues and workforce safety concerns resulting in factory closures in the US and Europe.

## Takeaways

- significant impact on continuity of supply chain
- changing customer habits and demand particularly impact aerospace manufacturers and Tier 1 and 2 automotive manufacturers
- safety concerns for employees in trying to resume "usual" output across global sites
- those industrials with diverse portfolios and sites around the globe should consider streamlining specific operations, and investments in specific jurisdictions and sectors least affected by COVID-19

## What is your company's current level of concern related to COVID-19?



- Potential for significant impact to our business operations, and it is causing us great concern.
- Limited to specific regions in our business currently, but we are monitoring closely.
- An isolated challenge; not greatly impacting our business currently, but we are monitoring the situation for any change.

*"Automotive customers have closed. Life science business has increased but manufacturing and logistics are challenging. Expect long term effects on markets around the world."*

**General Counsel at a global high-performance products manufacturer**



# Cause for concern for General Counsel

As the depth and breadth of the impact becomes clearer, more General Counsel are able to base their outlooks on facts rather than sentiment. Currently, General Counsel around the world are most concerned with the financial impacts that COVID-19 is having on liquidity and capital resources.

In-house legal and management teams are actively dealing with the effects of a sharp drop in economic activity. They are continuing to assess the lasting effect on recovery scenarios, with almost all General Counsel anxious of a potential global recession.

Supply chain and customer demand are cause for long-term concern amongst General Counsel as global industrials look to ramp up output or resume production.

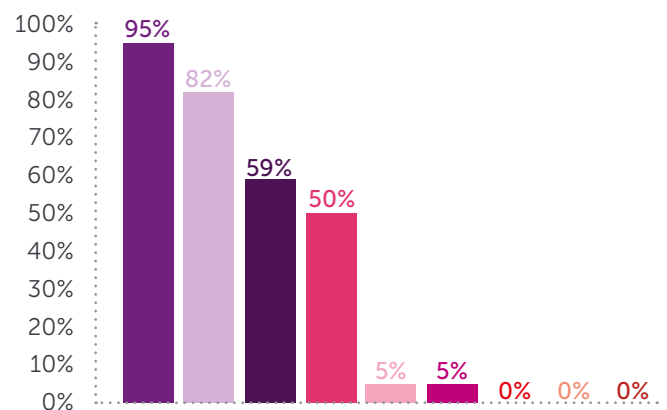
## Takeaways

- General Counsel are focused on long-term liquidity of their businesses and monitoring signs of a global recession and its impact on their supply chain/customer demand for their products
- concerns are centered generally around supply chain issues and the effects COVID-19 is having on their workforce, which is interlinked to the output of their sites around the world
- M&A activities have slowed considerably for many, given the current situation. As companies begin to see greater end market stability and improved visibility into the shape of recovery, we would anticipate companies returning to a more growth-oriented capital deployment strategy in the future.

*"We have a diversified business in numerous countries. Governments comprise a significant portion of our customer base. We perform services that are considered to be essential and anticipate a demand for infrastructure services to help restart the economy."*

**EVP General Counsel at a global industrial engineering organization**

## What are your top three concerns with respect to COVID-19?



- Potential global recession.
- Financial impact, including effects on results of operations, future periods, and liquidity and capital resources.
- Supply chain issues.
- The effects on our workforce/reduction in productivity.
- Difficulties with funding.
- M&A pipeline not delivered upon.
- Not having enough information to make good decisions.
- Impacts on tax, trade or immigration.
- Lack of a comprehensive/tested company emergency preparedness plan.



# Personal challenges General Counsel are facing

General Counsel continue to focus on their responsibility for assuring the availability, continuity and quality of competent, timely, and cost-efficient legal services throughout the pandemic.

The early challenges of managing your global in-house team and the move to remote working have subsided as new challenges continue to occupy General Counsel’s attention.

As General Counsel think long-term, there are challenges around how teams continue to focus on strategic priorities. For example, moving transactions forward is an area that anticipated to increase in focus as industrials look to consider distressed M&A opportunities in order to generate revenue or reduce supply chain risk, which will create new challenges and demand on in-house teams to assist in managing the risk associated with these types of transactions

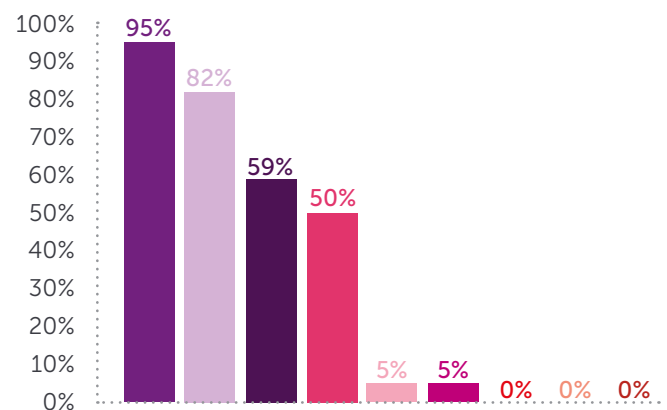
*“COVID has posed a range of unique challenges to our global business. From top level liquidity management, to maintaining defense critical activities, to helping staff who are working in curfew conditions, their have been many new issues and drivers for enforced change.”*

**Chief Counsel Europe & International at a multinational defense and aerospace company**

*“Stay calm, trust your knowledge and experience, learn to feel comfortable, when you are not comfortable”*

**Head of Legal EMEA at leading engineering and metal additive manufacturer**

**What have been the three biggest challenges personally faced in the role right now?**



- Providing advice on unprecedented issues.
- Making decisions in an uncertain environment.
- Supporting the business.
- Protecting the company from risk.
- Resolving issues that could cause reputation/financial damage.
- Managing a remote team.
- Keeping my team focused on strategic priorities.
- Moving transactions forward that generate revenue.
- Other (please specify.)



# Actions and insights for transforming your business long-term

General Counsel and organizations are starting to focus their strategy on exploring ways that digitalisation of processes and documentation can build greater efficiencies and security. One such example is the implementation of e-signatures.

This is not just specific to the legal department, manufacturers will feel greater pressure to accelerate the adoption of automation, to enable production without relying on a global workforce to sustain output during future crisis, pandemic or other risks to the business.

For those companies with large in-house departments and a legal operations function, General Counsel are increasingly delegating some of these related projects to their legal operations function. This is freeing up General Counsel to focus on mitigating current risks and foreseeing future risks in relation to COVID-19.

This shift transcends “what the new normal looks like” for the virtual General Counsel function where video conferencing capabilities are used more frequently for communication between groups and one-to-one.

A number of global industrials are shifting operations and workforce in order to manufacture PPE for internal use or for distribution to health services globally. This is forcing legal teams to rapidly develop capabilities and knowledge in this area as medical device compliance around the world is new to their teams and organizations.

A number of in-house departments have been reviewing their commercial position across a number of key customer agreements in anticipated of force majeure and customer demand shrinkage.

## Takeaways

- consider how legal tech and other technology can be adopted by your in-house team to help the function to deliver
- if your company has a legal operations function, work more closely with them to identify how the legal department can run with greater efficiency and effectiveness
- spend time as a team working through scenarios on customer-related issues and focus on further training to the business in anticipation of potential force majeure situations
- for sectors like automotive (OEM and Tier 1) and aerospace (airframers and airlines), create an internal taskforce focused on monitoring customer liquidity and speak to suppliers regularly to ensure potential issues are raised quickly across the business



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*“Further digitalization of processes, especially implementation of DocuSign to measure efficiency and security when most of the team are working remote in home office.”*

**General Counsel at a leading German-HQ automotive component manufacturer**

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*“The COVID-19 outbreak will likely accelerate the implementation of the Group’s strategic vision. Our company will now need to continue to simplify its processes and ways of working, accelerate the use of digital technology and tools to adapt to the new rapidly changing environment, and be thought leaders in how aerospace contributes to the use of cleaner technologies.”*

**Associate General Counsel at a global aerospace company**

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*“A variety of small measures, none especially innovative, but which cumulatively have changed the way the business operates - from personnel tracking on each of our sites (how many on site, how many WFH, how many self-isolating etc.), through electronic approvals for what had been paper-driven processes (export control, for example), virtual AGMs etc.”*

**General Counsel at a US-HQ industrial conglomerate**

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# Support on managing during these uncertain times

Communicate is the primary advice that General Counsel would share with other General Counsel in supporting their team and the wider business. Other advice centers on how best to position your own team and use outside counsel to monitor global developments.

General Counsel should ensure lines of communication are open at all levels - from communications with individual directors, the board or executive management as a whole and, in particular, to the wider workforce. To many this appears something of an issue even without global pandemics. For the wider business, constant communications with customers and supply chains are vital.

Rather than furloughing, use capacity in the team to work through your non-BAU backlog, such as updating template documents, preparing new guidance notes and attending online CPD. Then when things restart, you'll be in a great position to provide immediate advice and manage any surge in demand.

Have regular contact with outside counsel and work closely with your advisors to monitor global developments to avoid your team being spread too thin.

Most importantly, you need to win hearts and minds. People are understandably worried and disorientated under the current circumstances. Leaders need to reassure their workforce and devote large amounts of time to listen and deal with staff concerns. This investment enables people to feel valued and heard which ultimately results in a workforce, often going above and beyond to perform their jobs.

## Takeaways

- concentrate on situational awareness - try to see as much of what is going on around the business as quickly as possible

- consider how you show up and engage with your team. Emails won't do. You need to be on the phone and visible to your teams. The key challenge is how to keep the team motivated, clear on their purpose and keeping perspective about the issues they are facing for a sustained period
- be realistic about what can be done. Prioritization is critical. The crisis has had a profound effect on people's personal lives, families as well as their work. Don't underestimate its impact on you and others

### What advice would you give to other General Counsel in response to COVID-19 that has helped you personally manage these uncertain times?

*"Over-communicate and engage as often as possible with teams and clients, don't be afraid to ask seemingly simple questions - there is no playbook for this and everybody is managing through this for the first time."*

**VP, General Counsel, Europe at an innovative technology manufacturer**

*"Build out action plans, progress tracking charts, commitments to impacts, and focus the team on these daily."*

**VP & GC EMEALA at a global industrial automation manufacturer**



# Getting back to "the new normal"

COVID-19 has impacted the General Counsel function differently for each industrial business, depending on its end users and what impact the virus has had on its workforce. Where some companies have grinded to a halt, others have continued its manufacturing operations globally. However, for many, a significant portion of their workforce has been out of the office working remotely.

A number of General Counsel are sitting within dedicated groups of cross-functional executives and senior leaders from around the world, who are working closely on a plan for re-entry to workplaces.

Some global industrials mentioned they have started to explore managed services to give their organization flexibility for the ramp-up in volume during the return to normal, or beyond.

For those industrials resuming production across multiple sites and countries, a plan is critical to ensure a careful and cautious approach. Running small pilots and gathering the learning within a robust and safe system before getting more workers up and running offers the best approach. This approach can be performed easily by those industrials with companies in South Korea and China, which are at the next stage of the crisis. In turn- their experiences will bring lessons that can be used more widely across companies' global networks.

## Takeaways

- lots of scenario planning - to assist with estimating timescales and planning
- work hard on continuity, focusing on costs, cash and the business-critical
- focus on safety measures to be implemented for a return to office working
- ensure your business teams are carefully managing your global supply chain and having frequent conversions with customers to manage expectations

### What steps have you taken to plan for the resumption of business to pre-COVID-19 crisis levels?

*"Careful management of supply chain and frequent conversations with customers to manage expectations."*

**Head of Legal at a global automotive business**

*"Getting teams comfortable with the new normal."*

**General Counsel UK & IRE at a leading food and beverage manufacturer**

*"Our business has continued running during the crisis. However, we do have a significant portion of our workforce that has been out of the office working remotely. We have a dedicated group of cross-functional executives and senior leaders from around the world who are working closely on a plan for return to work and re-entry to workplaces."*

**General Counsel and Company Secretary at a leading US aerospace manufacturer**



# Preparing for long term business recovery

General Counsel’s preparation as they work with their organizations to prepare for long term business recovery, is largely focused on employee safety and ensuring people have the confidence to return to their global sites.

As many global supply chains around the world ramp up output or restart production, customer demand remains unclear for many. Furthermore, disputed claims under force majeure due to supply chain delays continue to be a concern for many General Counsel and their legal teams which ultimately may result in increased workloads. This is causing greater strain on teams that felt they were already lacking in capacity prior to COVID-19 and predict support to the business will need to be prioritized. Some teams believe more furloughs may be inevitable if organizations look to reduce headcount due to financial worries of the business.

If further lock-downs or a second wave of COVID-19 contribute to a recurring theme of concern amongst several General Counsel.

## Takeaways

- create a solid plan that allows for the most careful, yet expeditious, return to some state of normalcy and strategically address the challenges of the crisis, while planning for the world after it
- have some of your team focus on dealing with the immediate, while others focus on the future and think about scenarios to help guide the plan for emerging out of the crisis in a good position with a focus both internally and externally.
- review your team and monitor capacity closely
- review your business continuity plans and hold a debrief meeting as an in-house department, to identify and assess learnings from COVID-19 that can be applied across the business to futureproof against a second wave or future pandemics

### What are your biggest concerns as your company resumes operations?

*“Restarting of the global supply chain to cope with customer demand is still unclear.”*

**Division General Counsel at German chemical company**

*“The increase in workload due to disputed claims for force majeure or delay. Lack of capacity of the legal team, normal business operations requires as much support as prior to COVID-19 (perhaps more) which means that support to the business will need to be prioritized and we do not have enough lawyers to support and there will be head-count cuts due to financial worries of the business.”*

**Senior Country Counsel at global defense and space manufacturer**

*“That the organization and legal team loved the remoteness of teams too much, so that the joint work in one physical location remains reduced”*

**Senior Counsel EMEA at a global food processing corporation**

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