

INTERVIEW WITH SABINE LOCHMANN



Sabine Lochmann is the Chair and Group CEO of Vigeo Eiris (V.E), which is a leading global provider of Environmental, Social and Governance (ESG) research, data and assessments. She joined V.E. after nearly 30 years' experience working within major international organizations in France, Europe and the United States. Sabine has multidisciplinary experience having undertaken a range of legal, operational and general management roles throughout her career. Sabine spoke with Hawkamah advisory board member Sophie L'Hélias about how her experiences with dealing with crisis.

Q: What are your experiences with crises? Could you describe the crisis?

Before we move to the ongoing COVID-19 crisis, I would like to start by highlighting two of my past experiences with crises.

The first was with a French engineering company. That company had been highly successful in the 1970s and 1980s, operating around the world, including the Middle East, in major projects in energy, oil and gas, and services. But in the 1990s, after the oil crisis, they were in bad shape. Their business model was not working anymore, and they were at a competitive disadvantage compared to some of the more global engineering companies. The company's hundreds of very talented engineers had to deal with significant cuts in budgets and projects, and the company was not able to regain its market

position. And unfortunately, this was also the time when companies were very hierarchical and not very client centric, so it was also struggling to regain trust with its clients. By the late 1990s, the company was facing bankruptcy.

The solution to this situation was actually formulated by a group of employees working at Serete. We sat down to discuss whether we wanted to leave and let the company go bankrupt or whether we could bring something to senior management that could help.

We didn't have any managerial experience, but we had the will to support a global effort to find solutions to tackle the crisis. We proposed that the board create a foundation for the company that would give the engineers a sense of purpose. This purpose helped them regain confidence, which in turn helped them stand

out in the market, engage with clients and win requests for proposals. This foundation really changed the company and it also engaged its clients, which helped it survive. The business still exists today, although it was later acquired by Jacobs Engineering, with whom the whole project resonated.

The second example of a crisis I was involved in was a plant closure at a different company directly affecting some 400 employees, as well as the community around it. The plant was in a rural area where it had a central role supporting the community for over 40 years. It was a really tough project to lead as you can imagine the impact this closure would have on the employees, their families, and the small town itself. But the closure also had an impact on the company's clients as it was halting the manufacture of a product that was used by hospitals and surgeons. We knew that due to technological developments in surgeries, the demand for these products would deteriorate and that there would be no need to manufacture them at such scale.

First, we needed to work with our employees and help them understand the rationale for the decision, which was very difficult for those who had a close association with the product as well as certain pride for its recognition and brand power. Second, we needed to work with the community, not only to re-position the employees, but also in terms of selling the plant to recreate jobs in the community and replace the source of revenue. These were our goals, and it took us more than 3 years to successfully deal with them.

Based on these experiences, crisis management "taught" me three things. First, you need to have a clear sense of purpose when managing crises. In the case of the plant closure, the purpose was to generate and recreate value. If you don't have a clear purpose, you get lost because you are dealing with complex issues. And at the level of the crisis management team you need this sense of purpose because you need to have a dream or a positive vision that pulls people together to

get where you have to go.

Second, teamwork. You can't deal with a complex crisis if you don't have a team around you to make things happen. You really can't do anything without them, and you need to ensure that the team is at the heart of the response to the crisis and, more importantly, learning from them and from the different stakeholders we were interacting with.

Third, interact with your stakeholders, both internal and external. You need to listen to them, explain the situation to them, understand them and see how their input could be of value in managing the crisis. And beyond everything else, you need to manage fear. Fears such as what we will be losing as a community, what will we be losing in tax revenue, and what we will be losing in terms of the businesses surrounding the plant including the subcontractors. Beyond the "site closure" crisis, this "lesson learned" is relevant for all crisis to be managed.

Communication and relationship management are therefore essential to manage these fears, which must, as far as possible, be anticipated and managed "cold". It is also for this reason that the team that is going to lead the project must be diversified in terms of expertise and experience, it must also know how to use experts while having put in place a very structured and visible decision-making process.

Q: This is really interesting, and before we move on to your response to the ongoing COVID-19 crisis, I would like to discuss preparation and how they helped you manage the current crisis?

If we go back to January 2020 when we were at the Davos Forum and we were discussing the top three risks facing the world, it is interesting that despite the fact that we were getting reports on what was starting to happen, a pandemic was not among the top three risks.

It is also worth noting that given the scale of the pandemic, we could not do a copy-and-paste type of response to manage this crisis, which is still killing and sickening people around the world. We still don't know the full economic, social and political impact of COVID-19 and it is a crisis that all companies, all boards, all executives, and all employees have to live with.

For me, it is important that companies have business continuity plans (BCP) in place. This is something that I learnt while at Johnson & Johnson, where BCP was part of the roadmap for all general managers, managing directors, basically anyone who was in charge of a P&L or a business. All senior managers at this level went through two days of BCP training annually. This equipped the top management with knowledge of the process as well as the tools to help them react quickly to crisis situations.

But you need more than just the top level - training on recovery plans needs to be cascaded to all levels in organizations because you need alignment. BCP is one of the best things you can have in order to be prepared for a crisis so companies should give BCP more visibility and provide training widely.

Q: Who took leadership during the crisis? Was it you as the CEO, the Board or the shareholder?

This is an important point. From the BCP perspective, you need to know who does what. In order for BCP to work, it needs to be structured. It is really about the process and you need to have a steering committee involving the relevant people: those who can make decisions and those who advise. You need to have these two components. And then you need to have a fast track decision-making process. If you don't have it, you are at risk.

I kept BCP as part of my toolkit after I left Johnson & Johnson. It was something I put in place when I joined BPI Group as a CEO and it proved to

be valuable in dealing with two separate crises there.

An important part of BCP at V.E was to put in place a clear governance framework. Supporting the steering committee, you need subcommittees and you need to map out their responsibilities. To do this, we used the RACI model - Responsibility, Accountability, Communication, Information. We also have a decision grid at the executive committee, country director level and senior management levels.

This is the backbone that helps us be agile. Agility is paramount because a crisis provokes bottlenecks and reveals how well your company is organized and managed.

Q: And how did you engage with your stakeholders?

We provided a full report on our COVID-19 response to them at the April 2020 Annual General Meeting.

Employee engagement has been fundamental, and communication is an important element in BCP. You need to ensure that everyone in-house is informed. The worst scenario is where fear is spreading throughout the company.

Same goes for the clients. As soon as we made the decision to activate our BCP worldwide in March, we made sure everyone could work from home. We also needed to inform our clients and demonstrate to them that we were continuing to conduct our business with a high level of professionalism and a high level of security despite moving to a remote work model.

We put out Covid-19 controversy assessment reports – not only to measure the impact of what was done by almost 8,000 companies within V.E's universe, but also to give comfort to our clients that we were monitoring and dealing with the situation and its potential impact on companies' actions.



In the first month, we were very keen on contacting our key stakeholders at the client level to assure them we were continuing to provide them with our services.

Another measure we took was the ISO 9001 audit, which we do on an annual basis and that we wanted to do this year as well. The purpose was to give transparency worldwide and to show that we are moving through the crisis and that we manage it whilst maintaining our client and employee centricity.

This last point is important because V.E is composed of people and IT. If we have no capacity to manage the data through IT or no people to make it happen, we cannot deliver. This audit is something we plan to use, not only to assess where we stand and where we can improve, but also for our employees to provide a kind of backbone to see where we stand. The same goes for our clients.

The average V.E employee is quite young. In addition, we have 30 different nationalities in our organization so cultural intelligence (CQ) is very important. And during these Covid-19 times, you really need to balance between Intellectual Quotient (IQ), Emotional Quotient (EQ) and

Cultural Quotient (CQ).

When you are moving through crises, you also need to step back and reflect. Sit with your people and ask, “What did we learn in the past few weeks or the last month?” “Is this something we could inject into our normal practices or use to reinforce the BCP or the decision-making process?” It is a continuous process, but it is also a way to recognize what we have done well. Recognizing the efforts and the people is very important because you need to re-energize your team.

Crisis creates a lot of frustration and stress, and you need to have some buffers or spaces where you can reflect in order to learn, to recognize or just say, “I’m fed up”. This is important because in such situations you are like a pressure cooker that needs a release and without such a release the pressure cooker can explode. Our responsibility as executives is to manage the pressure.

Q: And how is the situation now?

We stopped the BCP mode in the summer of 2020. But in November, given the second and third waves of Covid infections, particularly around Europe, we decided to re-enter the BCP

mode.

What this means is that we have an executive committee call every morning, we have a call with all the country directors at least once a week, and twice a month we hold meetings with employee representatives across the different countries such as France, Chile, Morocco and Italy.

In addition, we have what we call “Share an Insight” which is a remarkable way to communicate with our people, and we do this on a bi-monthly basis. We share with our people things such as where we stand on the business, on the business continuity plan, on the innovation, on the digital onboarding of new talents, etc. We also listen to them and one of the executive directors gives a 30-minute presentation. Then employees can ask questions and get those questions answered. When we do not have enough time to answer all the questions, we have written questions and answers.

Finally, we conduct a social survey every two months, and we receive confidential responses from approximately 80% of employees. This allows us to identify problems, which are then reviewed at executive committee level. This is also reported to our mother company to improve and align us on the critical measures we are enforcing to manage the situation, with a strong focus on well-being and on the mental health.

Q: Is this social survey something you are looking to make permanent in the organization?

I think the survey is really great. There are some standard questions from one survey to another for comparability reasons, but there is also the qualitative insights part, which requires analysis of hundreds of responses.

The data and the insights are really rich, and it has been a critical success factor in managing this crisis. Accurate data allows us to assess

and compare. But as we are not past the Covid crisis, we will need to continue the surveys. The day it will end, we will use the surveys to regularly assess the homework-based policy, the “door open policy”, even with remote coffee, and the communication on the different projects structuring the agenda of the yearly roadmap.

Q: This is really interesting and thank you for sharing your insights on managing crises. In terms of the companies V.E assesses, have you witnessed differences on their preparedness levels and how well they have managed to respond to the crisis?

Yes, we assess companies on a variety of criteria including whether they have BCP in place or not. And as our recent study shows, companies that had BCP in place have really stood out during the crisis.

But I think a wider point is that companies with good ESG practices tend to be more resilient.

“Resilience” is a word that is used more and more today but I think we are at the very early stages of understanding what it really means. I think we are at the very beginning in areas such as measuring and putting in place frameworks to actually build a new economy, as well as a sustainable society and way of living. But engaging with your stakeholders, such as our employees, is an important element. As an ESG assessment provider, we need to walk the talk.