



**By Aparna Sharma, Independent Director**

## ***How Are Boards Adjusting to the Covid Crisis and Beyond***

### **BACKDROP:**

The role of the governance community has never been as important. Timely, responsive and at times bold Board decision-making is required to help management steer organisations through the crisis, protecting stakeholders and the community.

As directors focus on the unfolding crisis, they need an eye on the future to understand what their organisation will look like in coming months and years. While the COVID-19 crisis has threatened organisations across industry and driven some into insolvency, Board continuity is critical.

Understandably, as the COVID-19 outbreak continues to take lives and livelihoods, it is incumbent on for-profit boards to ask if their organisation can benefit from industry volatility in months ahead; for example, increasing market share, acquiring a weakened competitor or a permanent workforce restructure. Infact, these have clearly been on the agenda for Boards over the last 2 quarters this year.

Succession planning, too, has taken on new meaning. It is possible that some directors will contract the virus this year, requiring a temporary board replacement. A chairperson, for example, could step in as Executive Chair if the organisation's CEO is infected.

There is no board travel, site visits, expert presentations, board dinners, industry seminars, education courses or catch-ups with governance peers, in person. That frees up time to help directors cope with increased workloads, but there are other challenges like Webinar & Zoom fatigue.

Boards are social systems. When performing their role, directors are out and about talking to stakeholders across their various board roles and being part of the business and governance community. Suddenly, directors are working on their own from home and communicating almost entirely online.

### **HERE AND NOW:**

**Boards are now narrowing down their focus on 3 key issues.**

- 1. Key-person risk:** The biggest threat any organisation faces now is losing key capability. Boards need to be satisfied that everybody in the company, from the Chair to a trainee, has the right mindset to protect themselves and others. This is no time for management to try to 'soldier on' or for high achievers to think they are bulletproof. Boards and management are setting example by working from home, following health protocols and encouraging others to do the same.
- 2. Strategy:** Short term, boards need to know what the organisation's cash flows and debt position looks like under various modelling and have plans in place for different scenarios. At the same time, it is important to understand what the organisation's growth trajectory looks like when we get through the crisis. Boards should ask: will the company's business model be sustainable for a post-COVID-19 world and what opportunities will emerge?
- 3. Disclosures:** Listed-company boards must ensure their organisation continues to meet its disclosure obligations in the crisis. With business conditions changing so rapidly, knowing which information could be material and thus needs to be disclosed, can be challenging. Boards must ensure the market is fully informed at all times.

### **WHAT TO WATCHOUT FOR:**

There is a risk that boards pivot too much to crisis-management during COVID-19. As business uncertainty increases, the temptation is for directors to blur lines with management or neglect other governance issues.

It's natural that directors want to pitch in during a crisis. In my view, Directorship is a 24/7 role and for most directors, there are more meetings and communication during COVID-19. But one has to be careful not to overstep one's role.

## **WAY FORWARD:**

Boards through their maturity need to ensure their organisation remains calm and focused during the crisis. With the global magnitude of COVID-19, it is important boards set the tone for their organisation with a considered response and lead by example. Difficult governance decisions in uncertain times could be required, but that's part of our job.

The risk of anxiety among employees cannot be overstated. People are understandably worried about the health and livelihood of their family, work colleagues and friends, and themselves. Management will inevitably get fatigued and tensions could run high. Boards, first and foremost, must focus on the health and wellbeing of employees and other stakeholders, now and in the coming months. The governance implications of this crisis will not be short-lived.

Assessing crisis response and business continuity plans is vital. Larger organisations typically have detailed plans in this regard but that might not be true of smaller companies. Boards must be satisfied that their organisation has a clear plan to work through – and survive – the crisis or can develop or update such plans quickly if needed.

There is no one-size-fits-all governance approach for COVID-19. Every plan must be customised for the organisation and its situation. However, the common goal should be for boards to create a collaborative circle of support across the organisation, its stakeholders and the community. That is, for the governance community to show strong leadership during and after this crisis, as it has done so far.

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