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BOARD RECRUITMENT SPECIALISTS

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Advice for Boards as Organisations Emerge From the Covid-19 Crisis

As the lockdown restrictions ease in the UK, it is hoped that many companies will soon enter the recovery phase of the Covid-19 crisis, having navigated the initial fire-fighting stage, followed by a period focused on survival. While the reactions to the crisis have differed vastly across sectors, countries, companies and boards, we felt it would be an appropriate time to consider the 'new norm' for boards in terms of how they operate, as well as other key considerations for NEDs over the coming weeks and months.

We have spent time reaching out to our board network and asked, first, for reflections on 'life in lockdown' and, secondly, for their expectations and thoughts for boards as they emerge from the lockdown.

Board life in lockdown

- Boards are more nimble – this period has shown that boards can be agile and work at speed (this has obviously been helped by the improved availability of board members during lockdown).

- Many larger boards have set up a Crisis Group; a subset of the full board, to focus on navigating the crisis. The quality of the reporting from these groups back to the main board has been mixed.

- Boards have been meeting more frequently, for less time.

- Agendas have been trimmed and discussions have focused on essential items.

- There is widespread agreement that video conferences (VCs) – eg, Zoom, Microsoft Teams – are a vast improvement on telephone conference calls, but board members have missed face-to-face meetings.

- Technology has been an enabler but technical issues have been problematic and, in many cases, not satisfactorily resolved.

- Board directors, like many employees, are suffering from too much screen time.

- Many Chairs have found chairing virtual meetings more difficult and have needed to engage in a lot more 'side' communications with board members outside of board meetings.

- In most cases, cost has been taken out of the board meeting process (with the caveat that investment in technology, in some cases, has swallowed up any savings made on travel).

- Debate has generally been less rich and the delivery of difficult messages and sensitive discussions are more challenging through a screen than face-to-face.

- Board members are missing critical interactions with non-board employees (and vice versa).

So what next for boards?

The first thing to say is that there is no 'one-size-fits-all' answer. Below are ten common themes or useful suggestions which have come out of our research.

1. Delay the full post-mortem for a while longer

It will be important for the board to step back and assess how it, and the organisation, has handled the crisis. Unless it is essential to undertake this exercise before continuing on the path to recovery, it is probably worth delaying the post-mortem for a while longer. The crisis is not over and its impact not fully known or assessed. Reflections will be more effective and valuable once business has returned to some sort of normality, once key people have had a break from the fire-fighting and when there is a little more time available for reflection in the rear-view mirror.

2. Review any temporary governance changes which were put in place

At the onset of the crisis, some organisations (particularly those with large boards) pulled together a 'Crisis Group'; a subset of the board to lead the immediate response to the crisis. In most cases these groups have proved invaluable, meeting (virtually) daily at the height of the crisis and providing key support to the CEO. However, in some cases, the governance around this group was neither thought through nor approved by the board. As a result, the reporting back to the full board from the Crisis Group has sometimes been lacking and, as a result, other board members may have felt siloed, ineffectual and exposed. Thus, board members on the same board might have had very different experiences of the crisis and vastly different levels of input and influence.

It is important to reflect on how the crisis may have affected your board governance, whether formally or informally. Board Chairs might consider whether the crisis has created or accentuated any possible cliques within their board and, if so, how best to bring their board closer together as a team when it remains very difficult to do so in person.

3. Ensure that members of the executive team take a holiday

As one board member said to us, encourage your senior leadership team to "put on their own oxygen masks first". If your senior leaders do not look after themselves, they are not well-equipped to look after their organisation. Many boards are rightly focused closely on employee wellbeing at the current time; as a board don't forget to keep a close eye on the wellbeing of your executive board colleagues and senior leadership team. There are obvious pinch points of pressure: HR (furloughing, health & safety, employee wellbeing), Finance (fundraising, scenario modelling), Communications (both internally and externally), IT (remote working, cloud infrastructure, cyber risks). These individuals and their teams will be dealing with new and complex challenges. As such, there has been enormous pressure on senior execs; burn-out is a very real concern at the current time. Individuals in senior positions are often the most resilient but can be the worst at showing vulnerability or asking for help (or a break). Exhaustion and stress are often well-hidden but your execs are all human and this is a marathon not a sprint: they will need to recharge their batteries before leading the organisation through the recovery.

> **"This is a marathon not a sprint"**

So as soon as travel options open up, Chairs could take the first possible opportunity to meet face-to-face with the CEO and offer the necessary support to enable him or her (and their senior team) to take a holiday. In a year when the financial rewards of many executives will be taking a big hit, the non-financial rewards such as holidays may become even more important and appreciated. As a Chair or NED, you can take responsibility to make sure this happens.

4. Overboarding is real and must be avoided

It is clear from our discussions that some NEDs (and sometimes even Chairs) are spread too thinly and are exhausted. It is equally clear that there is little sympathy from other NEDs and observers.

In the past, when talking to NEDs about building a board portfolio, we have often heard it said: "I am assuming that all of my boards will not hit a crisis at the same time". But now it has happened, the wake-up call has sounded. Whilst not technically or legally defined as being 'overboarded', there is no doubt that some board directors must be realising that they have taken on too much in their portfolio. We expect to see some rationalisation of portfolios in the coming year, as well as a better understanding of the reality and consequences of overboarding. Perhaps we will also see the introduction of tighter rules and guidelines on overboarding (and the rules not just applied to plc board roles).

5. When planning the board calendar ahead consider scheduling a combination of virtual and face-to-face meetings

In the same way that there are polar opposite employee views on the merits of remote working, board members also differ in their opinions of the effectiveness and suitability of virtual board meetings. There is however a general consensus amongst NEDs that board calendars should include at least some virtual board meetings going forward. There are sensible reasons for this in terms of cost savings, efficiency and sustainability gains, however there is strong feeling amongst NEDs that at least half of board meetings should be in person, with everybody in the same room (as and when the lockdown restrictions are relaxed enough to allow these). Given the potential physical and mental health risks of excess screen time, it is felt by many that any virtual board meetings should not be full board meetings but rather shorter, sharper catch-up meetings, in between the face-to-face full board meetings. Indeed, our research revealed that many NEDs find virtual board meetings more draining than face-to-face meetings, making it difficult to maintain full attention for long periods of time.

Our research also suggests that board members feel that it is sub-optimal for some board members to be in the room for a meeting and some members to be accessing remotely. The majority view is that board meetings should either be totally virtual, with everyone logging in, or 100% physical attendance in person.

If virtual board meetings are here to stay, it will be important for Chairs and Company Secretaries to think carefully about what the optimal virtual board meeting looks like. It is not advisable to assume that what has worked in the crisis is the long-term solution. For example, NEDs feel that it is still important to schedule 'chat time' at the beginning and end of a virtual meeting. This social interaction remains important and can help to boost team spirit amongst the board. Breaks in virtual meetings are also important, ideally every hour. Think carefully about the agenda too – a virtual meeting is not the same as a physical meeting so it doesn't necessarily follow that the agenda is the same.

It is clear that during lockdown board members have missed opportunities to visit branches, factories, shop floors, offices and, in so doing, engaging with employees. These informal opportunities for dialogue with employees at all levels (which often happens around board meetings) are critical for NEDs and must continue to be built into the board calendar going forward.

6. Assess whether your technology is really fit for purpose for virtual board meetings going forward. Also assess the risk.

There is clearly a vast difference in the technology (and level of support) available for different boards. The key thing to ensure is that your board members are comfortable with the technology being utilised and feel that their equipment is fit for purpose. Several board members shared with us that they needed to quickly buy another laptop, screen or tablet in order to set themselves up with two screens for board meetings – one for them to access the board pack and the other for the virtual meeting.

If an organisation is expecting its board members to attend board meetings virtually, it is important for the organisation to support its board members to do so effectively:

- Is their wifi sufficiently reliable and secure? If not, what is the solution?
- Do they have access to two screens (or a split screen although this is widely considered sub-optimal)?
- Is there somewhere in the house where they can position themselves quietly, privately and comfortably for board meetings? If not, what is the solution?
- If there is a technical glitch during a board meetings, what is the protocol and agreed process for resolving it? Is there sufficient support in place? What length of disruption is endured before the meeting must continue? Is it even ok to continue the meeting whilst one board member has 'dropped off'? How should the minutes accurately reflect attendance if board members' attendance is impacted by technology glitches?

Aside from these practical considerations, there is the question of security. Inevitably a virtual board meeting is less secure than a board meeting in person with everyone sitting together in a room behind closed doors. Has this increased level of risk been assessed and mitigated as necessary? More broadly, is the necessary governance in place with the likely prevalence of virtual working going forward?

7. Get comfortable with difficult discussions and disagreement

In times of crisis, and the subsequent struggle for recovery, there are no easy answers. The board is ultimately responsible. Like the executives, NEDs are under immense pressure to help save their organisation; to do their best by the shareholders, to treat customers fairly, to look after employees, and to pave the way for future recovery and prosperity.

This heightened pressure on the board can increase stress levels. Stress can manifest itself in different ways for different people. Board members must be self-aware and, whilst it can be important to invest emotional commitment and passion in your role, it is important not to let strong emotions negatively impact on your behaviour in the boardroom. Board discussions and debate are likely to be more animated and challenging compared to 'business as usual'. Vigorous debate, when well chaired, is healthy and useful. However, now more than ever, it is important for boards to focus on action. In times of such uncertainty, the likelihood of full consensus in the board room is reduced; not all board members will agree with a particular decision or chosen course of action. It is therefore important for board members to get comfortable with disagreement. As a board member, you must strike the right balance between challenge and support. And remember you are part of a team.

For Chairs, drawing upon an earlier point, it is important to think about your board agenda and how you can best tackle difficult discussions and decisions. There appears to be a strong feeling amongst NEDs that difficult and complex debate are best had in person if possible, so try to save these (and your 'blue sky thinking') for your face-to-face board meetings.

8. Collaborate externally

Now, more than ever, boards need to be forward-thinking and outward-looking. Through this crisis we have seen some unprecedented changes in market behaviour, with more collaboration than ever. In sectors such as pharma, engineering, manufacturing and education there have been numerous examples of collaboration between companies which would traditionally be in competition. Seeing a number of our leading engineering and manufacturing groups work collaboratively to substantially increase the supply of ventilators, and several of the biggest technology and education companies come together to facilitate the provision of virtual education across the UK, has been illustrative of what can be achieved.

Boards must keep in mind these successes and maintain an open mind to collaboration in the current climate. The natural instinct of the executive might be to go it alone and form a single track path to recovery, however it is possible that external collaboration holds the solution to longer term sustainability and resilience. Might companies work together to resolve shared supply chain issues, for example?

## 9. Make the most of board members' strengths

In many cases, this crisis has forced Chairs to better utilise the skills and experience of their NEDs, outside as well as inside the (virtual) boardroom. Some NEDs have been used to help manage investor expectations around financial decisions, such as dividend cuts and changes to share-buyback programmes, which risked drawing negative reactions. Internally, other NEDs have become informal mentors to members of the senior team. As noted above, the spotlight has been on functions such as HR, IT and Communications/Marketing; NEDs have been able to guide and support their (often less experienced) senior leaders through these challenges.

Going forward, the smart Chairs will not lose sight of these opportunities to make the most of their NEDs; they are often well-connected and may sit on other boards so it might be that they could play a key role in exploring the possible opportunities for collaboration referred to above.

Chairs will also take note of those NEDs who rose to the challenge in the crisis and stepped in to assist (versus those who did not, whether due to a lack of capacity or for other reasons). As and when the time is right for the full de-brief and performance assessment, the NEDs should not escape this review and feedback. It will also be crucial to reconsider the relative strengths and development needs of the executives in light of the new environment and challenges; as one Chair commented to us: "There are Generals for War and Generals for Peace".

10. Continue the scenario planning

This paper is not focused on the content and focus of board discussions, but it would be remiss not to emphasise the continued need for rigorous and resilient scenario planning at board level. Boards should continue to ask the question: what is the worst-case scenario and how would we deal with it? Boards need to support the CEO and CFO to continue modelling a variety of different scenarios from here. There is widespread expectation of a second peak of Covid-19 infections, perhaps towards the end of the year. What might this look like and how will the organisation navigate it?
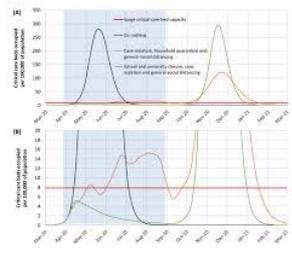
Rigorous scenario planning is difficult and too many organisations do not do it properly. It is not an academic exercise and the quality and accuracy of the data which you input to the models is obviously critical.

In addition, whilst there may not be time for a full review of the risk register at the current time, the board should at least take time to revisit it and consider the impact of some of their key risks materialising on top of the Covid-19 crisis. For example, a cyber attack during lockdown – what might that look like and how would you deal with it?

Finally, for now, if a global pandemic was not already on your risk register, get it on there and start to think about how you would want to deal with it next time.