

Helping Boards to Navigate the Covid-19 Crisis

For many organisations, the Covid-19 crisis poses a greater challenge than they have seen before. Board members are needed now more than ever. But how best can an organisation's Non-Executive Directors help and support their CEO through this crisis?

Ultimately, the board is legally responsible for the organisation. The CEO is hired by the board to run the organisation on a day-to-day basis but ultimately the board is still responsible. In a crisis such as this, the non-execs, led by the Chair, must get more involved. Their aim and focus should be to support the CEO and the rest of the executive team. Often the non-execs have more experience than the executive team, and they may have managed companies through crises before. This experience will be invaluable. Furthermore, many non-execs have a portfolio of board roles, whereby they sit on the boards of several different companies. This board-level exposure to other organisations can prove very useful in a crisis, especially when all organisations are trying to navigate through the *same* crisis. As such, the CEO can ask his or her non-execs: "How are other boards dealing with this?"

Unlike the executive team, the non-execs have the luxury of objectivity and the benefit of distance from the coal-face; they must use this in a constructive and an appropriately challenging way.

Here are our top ten tips to help non-execs add the most value during this crisis:

1. Set up a dedicated and agile crisis team

This group should be made up of some senior execs and some non-execs. Unless the Board is already small and agile, this crisis group should not include the whole board. Ideally the group should be chaired by the CEO not the Chair; the purpose of the group is to support the CEO so it is therefore right that he/she should chair and lead it.

If possible, try also to encourage the CEO to include a more junior member of the organisation in this crisis group; one of their rising stars. Not only will this improve the diversity of the group (and lead to better decisions) but it is such an important learning opportunity for the next generation of leaders. You may also wish to include an external adviser in this group such as a lawyer, accountant or other consultant. But resist making the group too big – from a practical point of view it will need to meet regularly (probably daily to begin with) and the meetings will need to take place virtually, ideally by video conference.

In addition, if an organisation has the FTE bandwidth and resource, it may help to appoint one of the senior executives (or an interim) into a special crisis management role. This person can be available to the CEO as his/her right-hand person to navigate the crisis. Ideally this individual's 'day job' responsibilities should be re-allocated elsewhere.

2. Put health and safety first

The board must support the CEO to put the health and safety of the employees first. Act responsibly. Comply with the government restrictions and guidelines. Organisations should also encourage and support their customers, suppliers and other key stakeholders to do the same.

3. Work with facts and accurate data

Now more than ever, try to ensure that the data with which you are working is as accurate as possible. Your company's stress testing will only be as good as the inputs and assumptions. As far as possible, base these on facts. As a non-exec, you can add real value to the stress testing process by casting an objective eye over the assumptions and figures. Non-execs are not in the weeds of the modelling and, as such, can use this distance and objectivity in an appropriately challenging way.



Encourage the executive team to gather key information to inform your planning such as: the legalities of contractual obligations, insurance cover in place, banking terms and conditions, any government assistance and schemes available, tax deferrals or relief, and so on.

4. Cash is king

It's an old one but a good one. Interrogate cash flow projections and the assumptions upon which they are based. In a crisis such as this, the board needs constantly and objectively to assess if the organisation can continue as a going concern.



Assuming it can, then look at ways to relieve the pressure on cash flow. Ensure the necessary lines of credit are in place. Where applicable, take the help offered from the government in terms of tax deferment and assistance with salaries.

As a board, you should also look at the remuneration of your top execs and your own non-executive pay. Think about what the right thing to do is. You can do a lot for workforce and customer morale by taking an emergency pay cut at the top. Always keep in mind the interests of your key stakeholders: shareholders, employees, customers, regulators, suppliers and other partners.

5. Communicate

Communication is key. This will be largely led by the CEO but some communications will come from the board. It's ok not to have all the answers but you need to ensure that your organisation is communicating clearly with key stakeholders and providing reassurance that something is being done and you are working through this crisis. Talk about the processes in place and some of the actions being taken. Do not make promises but try to provide reassurance and transparency.

Communication with employees will be key to retaining trust and morale within the organisation. The credibility of the leadership quickly erodes if trust breaks down.

For listed companies, public disclosures remain vital. All the usual rules apply so ensure that the controls in place around these announcements do not slip.



6. Collaborate

Internal collaboration goes without saying but the nature of this collaboration will look different. Help the CEO to ensure that your organisation has the necessary tools in place in order to collaborate effectively. Many organisations will be navigating this exact same challenge; as a non-exec you can draw on your knowledge of what is working for other organisations.

Also think about collaborating more externally. Some competition rules are being relaxed in order to allow organisations within the same industry to work together (we are seeing it, for example, amongst the supermarkets). As a non-exec, offer assistance to your CEO in this regard: how can you use your network for their benefit? Talk to your fellow board members, share information and try to help each other through the crisis.

7. Understand your key person risk and ask for help

People at the top of organisations are often the most resilient. They are used to having their neck on the line, to the buck stopping with them. Chairs and CEOs do not easily ask for help. Now is the time to forget pride, to recognise that you do not have all the answers; the board *can* ask for help. You might turn to an old Chairman, a predecessor, another CEO (current or retired), your lawyer, a financial expert, a strategy consultant. As a board you might even need to bring in interim support for your CEO. To do so does not imply failure of the CEO, the Chair or the board. It simply recognises the need for additional help in unprecedented times. Many such experts may even agree to defer some or all of their remuneration until after the crisis.



There will be enormous pressure on Chairs, CEOs and other senior executives during this crisis. They are human and there is only so long they can withstand this level of pressure. This crisis will not be short-lived; it will last for several months, at least. Perhaps it will be your Chair who steps in to offer the

necessary level of support to the CEO, however the reality is that many Chairs are currently classed as 'vulnerable' due to their age. As a board you need to understand your key person risk and have a clear plan in place if one of your key people is taken out (hopefully only temporarily) by Covid-19.

8. Think creatively

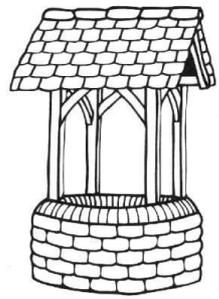
In times of crisis, it's amazing how creative some people can be. Amidst all the chaos, there are likely to be opportunities. If at all possible, enable your organisation to explore these. As a board you need to find a balance between short-term survival and long-term growth. Try not to miss key opportunities as you focus on the immediate fire-fighting.

9. Try not to add to the CEO's workload

Always think very carefully about how, as a non-exec, you can add value and help the situation. Now is probably not the time to insist on additional documentation or to challenge for the sake of challenge. As one experienced ex-CEO and Chairman shared with me, a key role of the board in a crisis is to act as a "circuit breaker". The board can help the CEO to prioritise and to cut through his or her workload; to focus on what really matters. Reassure the CEO that it's ok for non-essential matters and standard agenda items to slip. Use your experience and judgement to take things off the CEO's list. A non-exec can add real value in this way.

10. Do not forget

Once all this is over and life returns to some sense of normality, don't forget about what happened in the crisis. Learn lessons from it and recognise the individuals who (hopefully) saved your organisation. As one Chair said to me a while ago, when times are good (again), "fill up that well of goodness" as you never know when you will next need it. Look after your employees, treat your customers fairly, take sustainability seriously. Hopefully your well was full before this crisis but, either way, it will certainly need topping up again after it.



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Vicky Griffiths joined ISP in February 2020. Prior to this she spent five years at Leathwaite, where she built and led the Board Practice. Vicky worked for five years at Brevan Howard Asset Management LLP in London, where she was responsible for operational and business risk. She started her career as a strategy consultant for Bain & Company and also spent some time working as a consultant for Vantis Plc. In a non-executive capacity, Vicky sits on the boards of the British Olympic Foundation, the MCC at Lord's Cricket Ground, Bellevue Place Education Trust, and Vincent's Club in Oxford. Vicky graduated from the University of Oxford with an MA (Hons) in Economics & Management.

Guy Beresford founded Independent Search Partnership LLP in 2010. His career in search started in 1992, when he joined Russell Reynolds Associates. Before going into search, Guy worked in the international capital markets with Nikko Europe from 1987-1990. In 1997 he co-founded The Miles Partnership with Miles Broadbent, remaining with the firm until he moved to Whitehead Mann in 2008. Guy's work has been almost exclusively at Board level – handling Chair, NED, CEO and CFO assignments. He has particular expertise working for mid and small cap PLCs, privately-owned companies and family offices. He has a 2.1 BA Hons Degree in Modern History from Durham University and an MBA from Cranfield School of Management.



Neil Holmes joined ISP in 2017. An Economics graduate and former Eurobond Dealer, Neil started his search career with PwC where he was a Senior Manager within the Global Human Resource Solutions practice within Management Consulting. Neil subsequently gained extensive non-executive search experience as a Partner with Hanson Green, before joining Norman Broadbent as Managing Director, leading the Board and CFO practices. Neil works exclusively at Board level and has led a number of searches for Chairman, NEDs, Chief Executives and Chief Financial Officers for FTSE 350, Small Cap and AIM listed businesses as well as PE-Backed, turnaround and pre-IPO businesses.