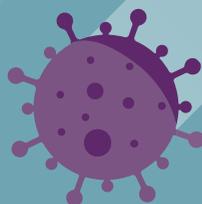
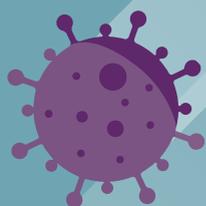




The Crisis for Directors

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While the world's focus has rightly been on the global loss of life and the continuing health threat, the crisis related to the coronavirus pandemic is even broader. The far-reaching and long-lasting impact on countries, economies, companies and society at large has implications for board leadership and how businesses will be transformed.

RECOVERY

ENDURANCE

The potential damage of the pandemic to every aspect of business presents ongoing, complex issues for corporations and their boards of directors.

The focus in the early months of the unfolding crisis would have been on supporting management in ensuring the safety and well-being of employees, assessing business continuity plans and cost-reduction strategies. This involves reviewing short- to mid-term viability, to evaluate the potential for the company to contribute to a broader community response.

A crisis such as this typically has three stages (see box, “Phases of a Crisis”)

First, the initial period when realisation of the risks and impact sinks in. Second, the phase of endurance that entails living with uncertainty and tackling new challenges head-on. Third and finally, the recovery stage, where evaluation of lessons learned and adapting to the “new normal” is required. Aspects of these will overlap, but each has distinct characteristics and responsibilities.

The devastating human cost and social impact of such a crisis demand compassionate leadership

as well as decisive action. We will examine each stage in turn and highlight the different aspects of leadership required.

Early response phase

No one can ever be totally prepared for a crisis like this. Effective leadership lies in the ability to respond confidently despite the fast-changing situation.

One of the most important ways a board can help is to stay calm and project confidence. The board needs to be accessible, patient and level-headed. Boards help management not just to make decisions but establish the company culture and buoy morale. An assured, compassionate and positive response in tune with the organisation’s overall values will encourage a constructive attitude throughout the business.

While executing the board’s primary responsibility of overseeing the governance and viability of the organisation, it is important that board members do not try to actually manage the company. Independent directors are valuable precisely because they can step back and see the bigger picture. Their role is to support senior management and build the confidence they need to do their jobs. The Chair can help maintain a balance between keeping the board involved

Phases of a Crisis

Onset & Early Response

Endurance

Recovery

and giving the CEO and the senior leadership team room to operate.

A strong relationship with management is essential and the flow of information back and forth should be frequent and regular. It would not be unusual for the CEO and Chair to be speaking every day and giving updates to the whole board several times a week. This helps the board understand the risks and how the senior leadership team is responding.

By drawing on the collective experience of its members, the board can generate and test a realistic array of possible scenarios. Together with management, board members can examine risks and assess the company's financial and operational resilience. Above all, there needs to be a relentless focus on contingency plans for when operations are unexpectedly disrupted by any of the scenarios identified.

Underpinning the best crisis planning and response is good and frequent data. The ability to see trends is critical. Good data means more appropriate and effective decisions.

Crisis communication and managing external perceptions are also traits of effective leadership. The board can encourage management's channels with employees, suppliers and customers to be kept open. All stakeholders have to feel included.

Endurance phase

A key characteristic of the endurance phase is uncertainty. No one really knows when this crisis will end. The global economy is likely to remain severely challenged for many months, as countries guard against a recurrence of the

virus. And the outlook continues to change. Such uncertainty makes it incredibly difficult to put firm strategies in place.

Here, the board plays a critical role, using its collective skills and experience to navigate uncharted territory and maintain morale at the same time. Some actions to consider are as follow.

1. Have an open and flexible learning mindset.

There is no off-the-shelf response to this crisis. Leaders need to be willing to make changes as the ground shifts, and everyone has to adapt. What is important is having a clear idea of the final destination.

2. Measure and celebrate success. Maintaining employee morale is important, and small gestures can have a big impact when people are working 24/7 and dealing with their own anxieties. Make an effort to celebrate small wins along the way to keep teams motivated and encourage them to model similar behaviour to colleagues and customers.

3. Look for signs of burnout in the senior leadership team. The pressures on the executives handling management and crisis response are intense and burnout can impact the quality of decision making. Dividing a crisis management team into two or more teams can help sustain effectiveness over a prolonged period.

4. Keep communicating. Use all available channels to keep stakeholders informed. Engaging stakeholders with honesty and sincerity will help bring people on board. They need to understand the rationale and approach in order to support the effort.

- 5. Build a collaborative culture.** This is an emotionally charged time and the stress can amplify potential friction. The Chair especially can help cultivate a supportive but decisive environment where different opinions can be heard and outside voices can be brought in where needed.
- 6. Build diversity of thought and experience.** It may not seem to be a time to reflect on the makeup of the boardroom, but having the right mix of skillsets can prove critical. Also, knowing when to bring in external expertise is important.

Recovery phase

Even as management is seemingly fighting new fires each week, it is critical to long-term success to develop guidelines for tackling challenges further out. This type of planning can also be reassuring, reminding us that the crisis will not last forever. It a good opportunity

for the board to use its position to inform management's actions.

The goals are to prepare for a prolonged impact and position the company for recovery, weighing the successes and failures of the response to the crisis so far. This is an extraordinary time that will shape businesses for years to come. The board may be able to identify how the business can be not just more resilient, but more innovative.

Previously planned projects and established procedures may need to be reworked or even thrown out of the window. What is on the table for discussion that was not before? How do the business's operations need to change? The board may even need to ask if it is prepared for the sudden need for creativity and flexibility.

Meanwhile, pre-crisis challenges are not going to magically disappear. Issues around diversity, climate change and sustainability, for instance,

Marriott International: A demonstration of authentic leadership

In March 2020, Arne Sorenson, the CEO of the world's largest hotel company Marriott International, announced that the business was running at 75 per cent below normal levels and as a result, tens of thousands of corporate employees would be furloughed.

Apparently against the advice of his communications team, he recorded a candid, vulnerable, and emotional six-minute video addressing his associates and sharing the bad news. He has been praised for his willingness to be upfront and transparent about the extent of the impact.

Mr Sorenson went on to announce that both he, and the company's Executive Chairman Bill Marriott, would not take a salary for the rest of the year. Such actions demonstrate shared sacrifice and investment in the business and can inspire stakeholders.

Whilst not sugar coating the facts, Mr Sorenson created room for being hopeful, ending with the message: "While it's impossible to know how long this crisis will last, I know we, as a global community, will come through the other side... Together we can and we will overcome this and we'll thrive once again."

BP: An example of not ducking pre-crisis issues

The energy sector has its detractors, with stakeholder accusations of large oil and gas companies disregarding the environmental, social and governance aspects in business operations, in pursuit of profits. Efforts to assuage and address these concerns have been made in recent times.

BP CEO Bernard Looney recently used the digital channel LinkedIn to talk extensively about his company's response to the crisis. He outlined in plain and simple language how the company seeks to protect the physical and mental health of its people, support communities in place, and strengthen the finances of the company to better weather market volatility.

Mr Looney has also been clear not to ignore the elephant in the room. Does the pandemic, combined with the breakdown in the alliance of the Organization of the Petroleum Exporting Countries (OPEC), mean the company will abandon or push back its declared ambition to "get to net zero by 2050 or sooner"?

According to Mr Looney, the answer is a resounding "no." He has been emphatic in reiterating the company's commitment to the climate change challenge and how the company is focused on "reimagining energy and reinventing BP."

Employees commented positively online that they felt proud to work for a company that is so clear on its purpose.

are still going to be relevant. Shareholder activism has been on the rise in Asia in recent years and the downturn in stock markets will likely open new doors for activists. The best defence is a prospering, responsible company and a clear strategy positioned for the changed landscape.

Re-evaluating the contribution that the business makes to society can help prioritise goals. Visionary leadership can seize the opportunity to make a real impact to the community and be more relevant to stakeholders, by supporting meaningful initiatives that are not just good for business but lead to positive change.

Charting the course ahead

Finally, questions of leadership succession may need to be re-examined in the post-crisis period. Managers need to be prepared for a future that

may look very different from the past. And the board is in a position to observe senior management more closely in a crisis. Crisis management can reveal what talent has proven valuable and what skills are lacking.

Throughout the journey, the decisions, actions and lessons learned from the crisis will be a part of the company's history for a long time – a toolkit for future crises. Keeping a record and being honest about what worked and what didn't work, can help build a more robust and resilient organisation, better able to survive new challenges in the future.

For directors, the bottom line is that surviving the crisis is one thing. Being prepared to change and learn from the mistakes is a whole different set of challenges. ■