



Optimising major board decision-making in the eye of a storm

Description

A veteran non-executive board director (NED) shared with me in recent days some valuable insights into the workings of an experienced board dealing with severe impacts to their organisation due to the Covid-19 crisis.

While this is quite an experienced board with battle-hardened veterans in both the ranks of the executive and non-executive directors, he indicated that the board and executive team seriously struggled with the enormity of the challenges facing the organisation and put down a nervewracking three-week period with almost daily virtual board meetings with many late nights and weekends.

While he indicated that the board were quite mature in terms of risk management and business continuity planning, the sheer scale of the Covid-19 crisis literally floored the board both in terms of the scale of business impact, the impact on their employees and currently how difficult it is to plan for the “new normal”.

The scale of the crisis necessitated a number of major decisions to be made in a very compressed timeframe. He was extremely complimentary of the incredible efforts, understanding and commitment of the employees to the organisation as well as the outstanding leadership shown by the CEO and executive team. He also highlighted how much the NEDs “rolled up their sleeves” and provided great support to the CEO/Executive team in terms of reviewing, challenging and providing valuable input to the crisis management plan.

He also interestingly highlighted that the CEO witnessed a “new side” to the board he hadn’t quite appreciated “in peacetime” whereby the board demonstrated huge commitment to not only the organisation but supporting the CEO and executive team execute a complex crisis management plan under severe pressure.

This scenario has been played out and continues to play out in boards across the world where so many board and executive teams have faced in some cases existential challenges in terms of their organisation's survival. In the midst of devastating impact on employees, an organisation's financial health and its shareholders/stakeholders, boards are having to stand up and be counted like never before, to work with the CEO and executive team to make big calls and successfully oversee a crisis management plan to successfully navigate the ferocious waters of a storm that will last for some time to come.

The following definition of crisis management from Deloitte caught my eye recently "Crisis management is a special, strategic discipline that enables an organization to leave 'business as usual' behind, and to enter a different mode of governance and operations, designed to get decisions made, implemented and communicated quickly, with clear but different designated authorities."

While a board has many broad types of responsibilities, the fundamental responsibility of a board is to make major decisions. At a time of extreme crisis management, this acute responsibility comes to the fore and represents a fundamental test of a board of directors in terms of its calibre, decisiveness, effectiveness, judgement and performance. The following factors can help a board to optimise its major decision-making "in the eye of a storm".

The board and non-executive directors stepping up to 5th gear

"Cometh the hour, cometh the non-executive director"—if ever there is a time for non-executive board directors to excel for their board and organisation, it is now. Crisis management inevitably requires a very significant time commitment from NEDs to not only support a significant number of emergency board meetings and to review complex crisis management plans in days/hours not weeks but also to provide a lot of hands-on support to the CEO and executive team.

I have seen several cases in recent weeks of NEDs with deep expertise in specific areas get drafted in to help the CEO and executive team deal with not only firefighting immediate short-term crises but also helping formulate key aspects of the crisis management plan. There is also an important human side to crisis management and I have seen some great NEDs provide incredible personal and moral support to CEOs who are under incredible pressure to hold everything together and keep functioning through non-stop 16 hour days.

Compressed decision timeframes

The brutal reality of the Covid-19 crisis is that major decisions have had to be made and continue to be made by boards in compressed timeframes of days and in extreme cases hours that have very serious consequences for the organisation, its employees, its customers and shareholder/stakeholders.

While in many cases, government and public health regulations dictated timeframes for major decisions, the reality is that in the vast majority of cases, boards are having to get used to extremely short review cycles for what are often complex choices with significant consequences for each option. Board chairs have a critical role in particular here in enabling the board to overcome these compressed review/decision cycles and drive coherent decisive decision-making.

Quality of information flow to the board

The quality of information is the life-blood of a board in terms of major decision making in normal times. At severe crisis management times like this, it is very challenging for the CEO and executive team to devote the usual time needed to develop comprehensive board packs when in some cases you may have just 24 hours before the next virtual board meeting. In these cases, I believe quality is more important than quantity in terms of helping the board understand the logic behind major proposals from the CEO and executive team. In some cases, while not ideal, CEOs and executive teams are heavily relying on gut instinct in terms of picking from what appears to be radically different options. In these cases, it is important to provide the NEDs with your “gut instincts” and assessment of the pros/cons of each major option. It’s also important to highlight the Trojan work Board Secretaries are doing in managing the board materials, logistics and ensuring board teams remain effective in the new virtual boardroom setting.

Critical importance of challenge, debate and oversight

When the stakes are so high for major board decisions, it is fundamental that the board maintain the highest standards of challenge, debate and oversight. Any CEO and executive team is capable under severe pressure of either getting a big call wrong in a crisis management scenario or struggling to get a coherent proposal that the board can make an informed judgement call on. Despite the challenging timeframes for decision, it is imperative that the NEDs put very considerable effort into preparing for the board meeting, asking the very hard questions of the proposed crisis management plan and major decisions as well as adding genuine value with in some cases identifying additional options or variations/combinations of options that will help an executive team who in some cases are struggling to “see the wood from the trees”.

The Board Chair has an absolutely vital role in balancing the level of challenge, debate and oversight with supporting the CEO and executive team. At such a crucial time, the shareholders, employees and stakeholders are relying heavily on the non-executive directors on the board to provide this critical challenge, debate and oversight to help optimise the best decisions and way forward.

Board dynamics and the “trust equation of the board”

For many organisations, the Covid-19 crisis is severely testing the bonds in the board team and in such fraught times, it is very easy for tensions to spill over into damaging conflict that the board could very much do without. While I have seen some high-performing board teams manage this challenge very much in their stride, I have also seen this crisis help galvanise many board teams around a common purpose of absolutely doing what’s best for the organisation and its shareholders, employees and stakeholders. A crisis of this magnitude shines a bright light on the “trust equation of a board”. It can also be challenging in such a volatile landscape with so much uncertainty in each sector about making concrete decisions. In my experience, decisiveness is a valuable trait for a board in the majority of crisis management situations.



Engaging key shareholders/stakeholders and bringing in external expertise where needed

We are truly in un-chartered waters in terms of crisis management and as a board gears up to make big decisions, it is critical that where appropriate, key shareholders and stakeholders are consulted for their input and support. In six months time, twelve months time and over the coming years, the stakeholders/shareholders of an organisation are going to be living with the consequences of these major board decisions. Apart from the fact that this is the right thing to do, it builds support and is formally required in certain cases in terms of approval, this engagement process will also provide very valuable feedback that in certain scenarios may actually be incorporated into the board's final decision-making.

It is also vital that where needed, a board gets external expertise to help with a major decision. This might be an experienced existing advisor partner who understands the organisation and sector but also may be a truly independent sector expert who could provide a brutally cold objective assessment of the options that could ultimately improve the final decision-making process.

Avoiding where possible “All-in and betting the farm type decisions”

I play chess at a competitive level and one of the things you learn as you get more experienced is to avoid where possible making very committal decisions in situations where the “chess board is on fire” with severe complications and it's simply not possible to calculate variations to a clear evaluation outcome. What you are ideally looking to do is to “keep in the game” and get through the next few moves and as the board position becomes clearer, to then make a more committal decision on your plan.



The Covid-19 crisis is changing literally by the hour and as governments around the world struggle to get the balance of getting business and normal life going again with serious public health risks, it is very hard for the majority of boards to accurately predict how their sector landscape will look like in 3 months time not to mention 12 months time ! Where possible, it can be helpful for the board to avoid premature major decisions based on assumptions around where the Covid-19 crisis will end up in a particular sector in terms of customer behaviours, business models and the competitive/sector landscape.

Understanding the employee, broader impacts and downstream consequences of major board decisions

As we commenced 2020, so many boards around the world had made great progress in significantly increasing their focus on Environment Social Governance (ESG), employee engagement and “doing the right thing” in terms of focusing on the long-term sustainable well-being of the organisation. This has been severely tested now in how boards have ultimately signed off on major decisions impacting their employees, customers and stakeholders. In some cases, the scale of the Covid-19 crisis is undermining all this significant progress made and decisions being made that favour “short-term shareholder interests” at the expense of employees, other stakeholders and the long-term sustainable future for the organisation.

Throughout the world, employees, both those bravely serving on the frontline and those who have been laid off, have demonstrated incredibly strong commitment and understanding to their organisation and their customers. How boards are responding to this commitment says an awful lot about the character, culture, integrity and values of an organisation. It is encouraging to see a significant number of institutional investors highlight the importance of this for their listed portfolio companies. In many respects, we are seeing ESG at its very best throughout the world right now with so many employees and organisations stepping up to help society get through this nightmare.

Summary

In summary, a significant majority of boards around the world are grappling with making in many cases some of the biggest decisions ever made in the history of the organisation in terms of dealing with the catastrophic fallout from Covid-19 in both the short term and the medium/long-term. Even the strongest high-performing boards are struggling with getting this right so for any board team struggling right now, you are not alone!

This is the time for a board team to pull together and working closely with the CEO and executive team to stand tall, roll-up the sleeves, challenge, debate and get the best out of each other to make the best decisions possible despite the compressed stressful timeframes and ultimately do the very best possible to navigate through this storm and enable the employees, shareholders and broader stakeholders to “reach the shore” and better days ahead.

Kieran Moynihan is the managing partner of **Board Excellence (www.board-excellence.com)** – supporting boards & directors in Ireland, the UK and internationally excel in effectiveness, performance



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