



## The critical importance of your board supporting the mental health and well-being of the CEO and executive team in a crisis

### Description

One of the encouraging differences between the current Covid-19 crisis and the global financial crisis a decade ago, is a far greater awareness of and sensitivity within boards of directors to the impact of a major crisis on the employees of an organisation. Since the start of the crisis, employees have endured severe impacts to their mental health and well-being as a result of losing their jobs, being furloughed, displaced from their normal work environment and especially for those serving on the front line in the Covid-19 pandemic from ICU nurses to public transport drivers. This greater awareness and sensitivity within the boardroom to employees as a key stakeholder is very encouraging to see and is a combination of the impact of Environment Social Governance (ESG), greater emphasis within national governance codes on the importance of the engagement between the board and employees and a greater awareness in society in general of mental health. This greater emphasis on employees is going to be severely tested in the weeks and months ahead as the brutal realities of the economic crisis set in and many boards will be faced with very challenging judgement calls.

Last week, I had a wonderful engagement with a group of highly experienced non-executive directors (NED) and executive directors across a mix of listed, private equity backed and large private companies in the UK in which I shared our experiences of how boards have handled the initial phases on the crisis, some key learnings and how best to get ready to make some very big calls in terms of company positioning, business models and the very challenging decisions in terms of potential employee layoffs etc. **A number of the veteran NEDs highlighted the unprecedented levels of stress that many CEOs and executive team members have been under since March and continue to be under and how they as NEDs are providing a lot of quiet support on a one-on-one basis both inside and importantly outside the boardroom to help the CEO and executive team members cope with a crisis that is severely testing even the most battle-hardened CEO and executive veterans.** One of the NEDs highlighted a very innovative approach of their board NEDs having a one-on-one pairing mentor support with an executive team member with a key focus of providing that moral support and a “safe harbour” for the executive to share their concerns and stresses and any difficulties in coping with the current crisis. Another NED highlighted the very valuable support she is providing to a number of executives on her portfolio boards and in listening to her, I could see the tremendous value that her empathy, high levels of emotional intelligence and experience were bringing to executives under severe pressure.

This discussion highlighted for me the critical importance of the board team recognising their critical responsibility to their CEO and executive team members not only in terms of the board's duty of care to the CEO and executive team as employees but also recognising the incredible challenges and impact of the Covid-19 crisis is having on CEO and executive team members. I asked a CEO recently of a company under incredible pressure in a sector devastated by Covid-19 how he was doing and he indicated *“this is a nightmare on a daily basis, I'm struggling to get through board meetings without severe conflict breaking out, I understand the NEDs are very nervous and are anxious to help, I'm putting on a brave face in front of all our employees and shareholders but I'm genuinely terrified about the impact of potentially significant layoffs and the company hanging in there as our market sector has a very difficult twelve months ahead”*.



~~I believe many CEOs feel like this as the sheer catastrophic scale of the economic impact from Covid-19 is becoming more apparent.~~

I have outlined below some key considerations for boards in terms of why it is so important in the midst of a very tense phase for the board and executive team for the NEDs to be both aware of the significant stress levels the CEO and executive team are under and to help and support them through the coming challenging months.

## **The board, shareholders, employees and stakeholders need the CEO and executive team to be at their very best over these next phases of the Covid-19 and economic crisis**

*If ever an organisation needs its CEO and executive team to be at the very top of their game, it's now. As all hell is breaking loose in so many sectors, the organisation needs outstanding leadership, decision-making and execution by the executive team to help safely steer the organisation to calmer waters and a sustainable long-term future. For many organisations, this will require a herculean effort by the CEO and Executive team with brilliant execution, some big judgement calls, an "all-in 7x24 effort" and in many cases, very original solutions to very serious challenges. The CEO and executive team are also the standard bearer for all the employees in the organisation – they need to set the tone, inspire and lead by example. Their ability to do this is severely impacted if they themselves are struggling at a personal level.*

## **The elephant in the room – “when you're paid the big bucks and you have all the power..”, there can be little sympathy for a CEO and senior executive team member who are stressed and struggling**

It is very understandable and human that many NEDs and employees may not have much sympathy for a CEO or senior executive struggling with stress and mental health challenges who could have very lofty remuneration packages, be very abrasive/arrogant/alooof at the best of times and may have over the years overseen very tough decisions that could have for example significantly impacted employees. I believe the Covid-19 crisis has challenged us all to re-visit our own values, belief-system, what's important and importantly to re-assess our approach to “doing the right thing” both at a personal level and a professional level. *In many respects, this goes to the heart of what Environment Social Governance (ESG) is really all about and I believe progressive board teams will have the thoughtfulness and wisdom to go the extra mile to provide that moral support, understanding and simply being prepared to be there, listen and help a CEO or executive to cope with stress, regain their confidence and composure to face up to what in many organisations is a nightmare in terms of very difficult choices over the coming weeks and months.*

## **The critical role of the board chair and experienced NEDs**

In our board best practice workshops, I put a big emphasis on the board chair's leadership as the single most critical factor underpinning a board's effectiveness and performance. This is a critical area for a board chair to leverage all their experience, judgement and emotional intelligence to have a good gut feel about how the CEO and each of the senior executive team members are doing at a personal level and together with the experienced NEDs to provide that thoughtful support and encouragement,



particularly on a one-on-one basis away from the cauldron of the boardroom. Clearly where the CEO – board chair relationship is healthy, this personal support will often happen naturally. It's also important to realise is that it's not just the CEO. Any one of the senior executive team could be really struggling in this crisis and either the CEO is not seeing it or is under-estimating the seriousness of it. I was very impressed by the buddy-type system outlined above where an experienced NED is paired with one of the senior executive team to support them at a personal level throughout this crisis.

## **The challenges of supporting the CEO and executive team at a personal level while providing strong challenge, debate and oversight of their performance**

Even the highest-performing board teams are finding this crisis extremely challenging with their core virtuous cycle of challenge, debate, respect and trust severely challenged by just the sheer pressure of major decision-making in such a volatile fast-changing landscape under ferocious pressure and unrelenting scrutiny by major shareholders and stakeholders. It is fair to say that based on feedback in recent weeks and months from board members around the world, serious tension and conflict are dominating many boardrooms as the CEO and executive team's feet are being held to the fire in an elevated manner in terms of the performance of the CEO/executive team, the successful implementation of the crisis management plan and the ability of the executive team to dynamically adapt to the volatile landscape. An acrimonious dispute on depth of cuts to executive remuneration or the executive team feeling they are being micro-managed by the board, can very quickly damage "the trust equation of the board" which I believe is very important to the CEO and executive team in a time of crisis. *In this "white-hot tense boardroom atmosphere", it can be very difficult to have the presence of mind to factor in an appropriate level of thoughtfulness for the CEO/Executive team's health and well-being while simultaneously discharging the board and individual director's critical oversight responsibilities on behalf of the shareholders and stakeholders!*

## **The impact of major decisions involving employee layoffs on a CEO and executive team members**

In recent months, tens of millions of employees' lives around the world have been turned upside down by the impacts of the Covid-19 crisis. While many lost their jobs on a temporary basis, a very significant number have and will over the coming weeks and months lose their jobs on a permanent basis with devastating impact to them personally and their families. While there can be a common perception that these devastating decisions are often made "in an ivory boardroom tower" and in some cases overly influenced by shareholder factors and short-term financial performance, I would not underestimate the human impact it has on an executive team who have to recommend and execute a decision to permanently lay off hundreds or thousands of employees. Clearly all the primary sympathy needs to go the employees impacted but for a modern progressive CEO who has a strong culture, value system and is genuinely employee-centric, it is absolutely devastating to recommend and implement employee layoffs knowing that in many sectors, the scale of the economic crisis will make it very difficult for the laid off employees to find new roles.

## **The CEO and Executive team sharing "how they are doing at a personal and team level" in the appropriate way with the board of directors**

*Even though we have started a new decade and awareness of just how fragile our mental health and well-being has grown significantly, a significant number of senior executives find it very difficult to put their hand up and share with the board chair or another NED that they are seriously struggling due to*



~~stress. They not only would be worried about the consequences of how the board chair or NED may interpret this or act upon it but there may also be cultural reasons in a particular country where a senior executive would not feel comfortable about discussing this sensitive area with the board chair or NED. I have seen some very progressive board chairs in recent weeks, partner closely with the CEO to allow the board and executive team “to take a breather”, to take a step back in the middle of the firestorm to see how the CEO and executive team are doing as a collective team, how the board members are doing themselves and for the combined board team and executive team to acknowledge the scale of the challenges they are addressing, be very open about how challenging it is for the board and executive team, how hard it is to maintain that balance of support/encouragement and challenge/debate/oversight and the key requirement to be as constructive and kind as possible with each other. In terms of individual executive team members and also NEDs in some cases, the board chair is working with the CEO to understand where each member is at, any supports they may need while ensuring the appropriate levels of confidentiality and sensitivity.~~

## **Critical responsibility of a board to act if a CEO or senior executive is seriously struggling**

*One of the last things any board of directors wants to do in a crisis management phase is to have to potentially replace either the CEO or a senior executive due to serious performance problems. In recent months and over the years, I have seen CEOs and senior executives who perform extremely well in a normal business environment but struggle under serious crisis management conditions. Many organisations are now entering a “new normal” where you could end up having to navigate through a series of “complex crisis management phases” over the next 6 to 18 months and beyond. One of the underlying reasons I believe for this difference in performance levels for an executive between “peacetime” and “a crisis management phase” is their ability to manage the type of serious stress and pressure uniquely associated with an extreme crisis. When I recall my own CEO days, I recall a fair few “dark nights of the soul” where in some tough phases, I really appreciated the arm around my shoulder of my board chair and one of my NEDs, Joe, who had been with me from the start, who “understood me deeply at a DNA level” and with whom “I could bare my soul” when I was struggling. Along the lines of the saying “a stitch in time saves nine”, I believe there is a point up to which a senior executive under pressure can get support, encouragement and “get their mojo back in terms of personally and their performance level”. There is however a point beyond this where the mental health, stress levels and well-being of a CEO or executive team member are so compromised that for their own sake, their family and that of the executive team, board and organisation that they need to be replaced, either temporarily or permanently. While this is hugely disrupting for an organisation and the very last thing an organisation would want to do in a crisis, they have first and foremost a primary responsibility and duty of care to the CEO or Executive member and a secondary responsibility to the shareholders and stakeholders to ensure that at all times, particularly in a crisis, that the right CEO and executive team are in place to lead the organisation.*

## **Summary**

This is a very sensitive and challenging area for boards that the Covid-19 crisis is exacerbating. A significant number of CEOs and senior executives I have met and supported over the years would honestly say that due to their senior position in the organisation that they should be the very last person to put their hand up to say that they are struggling with stress and need support from the board



chair and NEDs. While clearly if a person has risen to the ranks of a CEO or senior executive in an organisation, they have a significant depth of calibre, experience and resilience, *this unique crisis however has reminded us that we are all only human at the end of the day and capable of developing and struggling with stress and mental health challenges at any time.* A lot of board teams around the world are soul-searching right now as to how they position themselves to navigate their organisation through this ferocious storm. A lot of questions are being asked in terms of, do we have the right team in place to excel on behalf of our shareholders, employees and stakeholders over these coming months and years? Have we the right diversity and skillsets in our board team to lead “in the new normal”? **Can our shareholders, employees and stakeholders sleep soundly tonight knowing that we are we at the top of our game as a brilliant board team partnering very effectively with and supporting our CEO and executive team?** In recent years, boards have evolved their focus on the importance of emotional intelligence and the “people equation of the board”. I believe a next step of a very open holistic approach to supporting the mental health and well-being of the CEO, executive team and board members is a progressive step for a high-performing board team excelling on behalf of its shareholders, employees and stakeholders for the challenging months and years ahead.

*Kieran Moynihan is the managing partner of **Board Excellence** ( <https://boardexcellence.ie> and <https://boardexcellence.co.uk> ) – supporting boards & directors in Ireland, UK and internationally excel in effectiveness, performance and corporate governance.*

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