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In the current crisis, companies of all sizes are asking board members to roll up their sleeves and help management meet immediate needs

BY DR M MUNEER AND RALPH WARD
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The pandemic panic gripping the business world might finally trigger action to quell the rising concerns on widening inequality in compensation between the top management and the rest.

With massive layoffs worldwide and bankruptcy filings waiting on the wings, top executives feel prodded into tightening their belts. In the US, CEOs of major airlines, Disney, GE, Fiat-Chrysler, Marriott, Fox Live Nation are among the many who are either taking a cut or deferring compensation.

In the UAE, the Wafi Group has fired the first salvo to unilaterally cut the pay of all staff from 25 per cent onwards. Other global giants that have taken the C-suite to task on pay include BT, Santander, Singtel, and Temasek Holdings.

The crisis is shifting executive incentives and performance targets. Where does that leave the board?

Some large public enterprises are already trimming director pay, but it's still too early to see solid patterns. A survey last month with over 300 US firms found only 7 per cent cutting board compensation already, but many are considering it. Given the sentiments of job losses and misery all around, some boards have taken action on their own, voluntarily giving back between 10-50 per cent of their compensation.

Immediate cost-cutting will see sitting fees and retainers getting eliminated. Equity has been a much bigger aspect of director pay over the past decade and cutting this is more complicated. Even trickier are director stock ownership and holding requirements. Many boards may set director equity holdings as a multiple of the annual, but soon-to-be-trimmed, cash retainer. Further, it is not easy for a board member to cash-out some of those shares, given the crashing stock markets.

The pandemic has driven boards not just into a pay-cut crisis, but a graver issue of crisis governance as well. Why didn't the board see this coming? And was it not their fiduciary responsibility to prepare the enterprises they serve for all such eventualities? Has the "grey hair" wisdom lost its relevance in the realms of uncertainty?

Just as everyone else, a board director too has to endure the lockdown, WFH, economic turmoil, and spiking unemployment. He or she is also venturing out for emergency supplies and getting used to wearing a facemask. In coping with the governance issues of companies, the board member is also breaking head on shutdown losses, sick or unavailable employees, suppliers and customers, sharp cutbacks, uncertainty, etc to find a way through.

With the immediate crisis settling down into long-term trench warfare against disease and depression, we should take a look at the lessons our boards have learnt from this. All the disruption and urgency no doubt make governance more challenging, but if they are truthful with themselves, they are learning governance lessons that actually make their boards better.

Today they are focusing more on the essentials.

There is neither time nor bandwidth for all those Powerpoints of a few months ago. It's tough enough to get the directors all online or on the phone as it is now, so they have no time to waste. They are trimming fluff and filler from the agenda to make time for more crucial board business – and re-discovering their governance roles better.

Since online conference time is tough to schedule for everyone, the board members are working harder offline. They're calling each other and the C-suite between meetings for discussions, information and updates. Locked down, they put more time into reviewing board materials and doing their own research.

Board meetings now are less of single event in their schedules, and more of an ongoing process – members don't need to be up-to-date on the company every few weeks. Relationships between directors and managers may be more physically distant, but more regular, open and productive.

Directors are also becoming more helpful to the company. Venture firms have always asked directors to help with introductions, research, pitches and special projects.

In the current crisis, companies of all sizes are asking board members to roll up their sleeves and help management meet immediate needs.

Though directors are putting in far more time, with more stress, they are gaining a clearer view on what their roles really are.

Governance is no longer running through an agenda, ticking off the boxes, and moving on. It is urgent oversight of literal life and death matters for people, companies, investors, stakeholders, and employees.

And directors will step up stronger than ever from the current turmoil!

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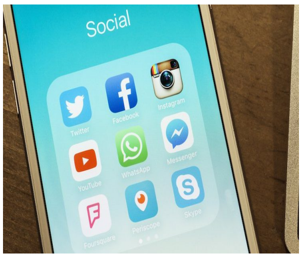

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