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Pandemic introspection for boards: How crisis-ready are our board members?

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While our stock markets are behaving as if everything is perfectly normal, we are far from normal with no flattening of the pandemic or downward spiraling of economy. Work is slowly limping back as lockdowns are being eased. Clearly, this Mahabharata war will take 18 months to end, not 18 or 22 days!

The board members will likely continue calling in their governance remotely for some time to come. However, they will find the tone of board meetings changing. The crisis response of putting out fires needed over the past couple of months is shifting to long-term company survival, and finding their way back to the new normal, whatever that may be.

Clearly the pandemic has exposed the importance of integrated governance as we have been advocating over a period of time. Across the globe, enterprises are battling social and financial issues concerning their employees. Board members have been forced to engage proactively and systematically with multiple stakeholders during the last few months. Capitalism to some extent seems to have moved towards shared responsibility.

Most enterprises have dealt with unprecedented challenges in March, April and May. Many of our clients have seen better than projected recovery in June in specific sectors. Heading into the second quarter of the financial year, boards need to plan for a more strategic and resilient plan of recovery for the companies they serve. In fact, it is most vital now. Instead of seeing the company through an immediate crisis, the board must be active in plotting a course toward a long-term future.

The starting point of course is the learning from a crisis that not a single entity was prepared for. Did your crisis management processes work? What about internal and external communication flow? Was the board fully into the crisis with enough information from the executive teams? Did your board get fully involved and called in all possible connections to ensure least hardships for the employees, suppliers and customers?

As part of a post-coronavirus recovery plan, the board will need to ask several more important questions (and receive thoughtful answers).

- How have short-term and long-term financials been hit by the crisis? How are the projections for revenues, cash flow, liquidity, balance sheet and so on we made at the beginning of 2020 expected to change over the remainder of the year?

What is the status of our lines of credit, loan covenants and other financing? What long-term investment and capital spending plans in place at the beginning of the year were frozen, and how will these plans need to change?

- What is the current and pending status of our suppliers, customers, banks, vendors, transport and logistics sources? What do we know about any changes in their stability, capacity and ownership? How will the China intrusion affect some of our supplies? Have our suppliers shown any disruption in delivery, timeliness, support, or availability? Have we looked into renegotiating leases, contracts, payments, or loans (or should we)? Would this be an opportunity to seek better terms? Are there any M&A, purchase or strategic talent opportunities we should seize at the moment?

- Can the CEO show us the details and timelines on our plans for reopening facilities and recalling employees? What steps will we take to assure employee safety? What are projected payroll, employment and hours worked over the next quarter, and compared to the first quarter of the year and the same period last year? What layoffs were required, if any, and what have we done to ease the impact? Have we enacted pay cuts, and how were they used from the top to the bottom of the company? Have we evaluated specific talent needs going forward, and projected any gaps? Do we make a donation to the PMCARES when we cannot pay salaries?
- What messages are shareholders and creditors telling us going forward? Have they been supportive of our crisis management, leadership team, and strategic shifts? What concerns can we expect from them in 2021?

More importantly, crisis always test the resilience of an organisation's commitment to purpose, values and culture. Didn't we state in our values how committed and respectful we are to our employees? Then why donate for publicity and then deny employees their salaries?

Boards must self-introspect their crisis management processes and rework on the risk heat maps and scenario planning on an urgent basis.

DISCLAIMER : Views expressed above are the author's own.

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