ACADEMIC EXPERTS ON GOVERNANCE RESPOND TO 7 KEY QUESTIONS

Effective Boards of Directors in Crisis Time

FOREWORD

While one of the key duties of any board is to govern crisis situations, the COVID-19 crisis has been unprecedented in its speed and devastation. It is clear that management teams will struggle and boards must be apply to oversee and guide their efforts. However, it is not clear how boards should participate. What role should the board play, how involved can they be, how do they compliment management and what are the critical issues to consider?

The purpose of this INSEAD Corporate Governance Centre report is to help boards oversee this never before seen crisis and add value to their organizations. We have asked five faculty members to respond to seven questions about board oversight during COVID-19. They represent a diverse mix of goverance expertise and perspectives (bios below), which collectively build a rich dialogue.

We invite you to compare and contrast their responses as you build your own approach to board effectiveness during this crisis. While there are many common themes there are some differences reflecting their different regional and industry backgrounds. We also invite you to provide comments. Let’s keep the conversation and learning going!

Good luck and Good Governance…

INTRODUCING OUR ACADEMIC EXPERTS

Annet Aris is Senior Affiliate Professor of (digital) Strategy at INSEAD. She developed and teaches amongst others the MBA-course "Digital transformation of society, industries and companies'"
In addition, Annet has a 15 year experience as a supervisory board member of more than mostly of companies going through the digital transition. Currently she is member of the board of Rabobank Group, Randstad NV (HR services), ASML NV (Lithography systems for semiconductor production) and Jungheinrich AG (intralogistics). In 2019 she was elected the most influential women in corporate Netherlands. She is also chairman of the committee writing the election programme for D66, a Dutch political party.

Annet received a MSc. from the University of Wageningen and has an MBA from INSEAD, both with honors. She worked for McKinsey from 1985 until 2003, at first in the Netherlands and in the UK and, since 1990, in Germany. She was elected partner in 1994.
Together with Jacques Bughin, she wrote the book "Managing Media Companies, Harnessing Creative Value" (Wiley's 2009, second edition, also available in Russian and Chinese). Annet was a weekly columnist on the topic of digital transformation in the dutch business newpaper "Het Financieel Dagblad" for 4 years, the columns have recently been published in the book " Wegwijzer in het digitale doolhof" (Pathway through the digital labyrinth).

Peter Nathanial is an Adjunct Professor at INSEAD and co-Director of the *Modern Governance in Banking Program* (also called the *International Directors in Banking Program)*. He also teaches *Corporate Restructuring* as part of the INSEAD MBA Program in Fontainebleau and is *a Fellow of the INSEAD Corporate Governance Centre*.

Peter is a crisis management specialist who provides strategic risk management, restructuring, and corporate governance advice to major Financial Institutions, Central Banks, Governments, and other International Organizations from around the world.

Peter has been a partner of the boutique merchant-banking firm *Impala Part*ners since late 2009. Impala Partners advises distressed companies and situations around the world. He is also a member of the managing partner and investment committee for *the Kilimanjaro Credit Fund*. From 2007 to 2009, Peter was the Group Chief Risk Officer and Member of the Executive Committee for *The Royal Bank of Scotland Group.* He was responsible for over $3 trillion in assets on the balance sheet and for working through the financial crisis. He established and managed a "bad bank" and a global loan-restructuring group within the Group. Before this, Peter spent more than 16 years at *Citigroup*, holding a variety of senior business management positions in New York, Zurich, London, Moscow, and Warsaw. In his last role at Citigroup, he was a Senior

Corporate Officer / Managing Director and Head of Global Risk Oversight and Investments based in New York.

Peter brings a wealth of crisis, restructuring, and corporate governance experience to clients and most recently, to his INSEAD students, which forces him to reflect and articulate further on his views on these topics.

Tim Rowley is the founder and Co-Director of the *International Directors Program* and *Leading from the Chair Program*. He is a Visiting Scholar at INSEAD and a *Distinguished Fellow of the INSEAD Corporate Governance Centre*.

In addition, Tim is a faculty member at the *Rotman School of Management*, *University of Toronto.* His research interests cover corporate governance, strategic alliances, and stakeholder and social issues management. He is the author of a large number of academic publications and also was the Co-Editor of the journal *Strategic Organizations*. The International Association for Business and Society awarded Tim and his co-author Shawn Berman The *Business & Society Article of the Decade 2000-2010*.

From 2001 to 20012, Tim was the Canadian National Academic Director of the *Institute for Corporate Directors'* various governance programs, developing and overseeing governance training for over 3,000 directors in five Canadian cities.

Currently, he is a member of three boards, is a goverance and strategy advisor to 3 CEO's and is an investor in two early-stage technology companies. Tim loves the process of growing a business idea into a value-creating company -- he was part of the team that grew and sold Universal Robots and is now working with OnRobot to defined collaborative automation. He also serves as a consultant and advisor to a number of boards in Canada and Europe, and regularly interviews board members and chairs for his research. All of these interactions have shaped the views he shares in his answers below.

José Santos is an *Affiliated Professor of Practice in Global Management,* co-Director of the *Advanced Strategy for Directors Program,* and a *Fellow of the INSEAD Corporate Governance Centre.*

José F.P. dos (Joe) Santos started an academic career in engineering in his hometown of Porto, Portugal but soon moved into the managerial world, developing his executive skills in the aftermath of a revolution in his country. After 20 years in business management, Joe retired from his successful executive career and devoted himself again to scholarly work by joining INSEAD. Joe's research and teaching focus are on the management of the multinational enterprise, particularly the management of global integration and global innovation. After the 2008 financal crisis, Joe decided to complement his research with corporate governance.

Joe is also a “Professor Catedratico Convidado” at UCP, Portugal, and was a Senior Lecturer at MIT Sloan. He regularly presents at conferences around the world and works with top management teams of multinational corporations from Europe, the Americas, and Japan. His book *From Global to Metanational: How Companies Win in the Knowledge Economy*, co-authored with Yves Doz and Peter Williamson, was published by Harvard Business School Press.

Ludo Van der Heyden is the *INSEAD Chaired Professor in Corporate Governance* and *Emeritus Professor of Technology and Operations Management* at the school. He is a co-Director of the *Advanced Strategy for Directors Program* and of the *Modern Governance in Banking Program* (also called the *International Directors in Banking Program)*. He is the *Founding Director of the INSEAD Corporate Governance Center*,

Before joining INSEAD, Ludo was on the faculty of *Yale University* (1980-1988) and of *Harvard University* (1978-80). He holds an *Engineering Degree in Applied Mathematics* from the Université Catholique de Louvain and a Ph.D. Degree from Yale University. Ludo has been co-Dean of INSEAD (1990-1995) and Director of *the INSEAD Zentrum Leipzig* (1994-1999), created to contribute to the reunification of Germany and Eastern and Western Europe. He learned a lot about management while directing, alone and with colleagues, the *Advanced Management Program* at INSEAD from 2000 to 2008.

Since June 2019, Ludo has been an independent member of the Board of *Naftogaz of Ukraine*, of *Seisquare*, a software company for estimating natural resource reserves, and was for many years a member of the Advisory Board of *Bencis Capital Partners*.

The importance to society and businesses of boards and effective governance is evident to him. This conviction motivated him to convince INSEAD to start addressing the needs of board members and executives in its mission as a business school. He also is a fervent supporter of Ukraine, leading him to respond positively to the invitation of the UCGA founders to help set up the Academy and its activities.

QUESTIONS ON GOVERNANCE IN CRISIS TIMES

1. What do you see to be the primary role or roles of the board?
2. Would you say boards have a lesser or more important role in crisis times?
3. What is different for boards during crisis times?
4. What are the characteristics/features of boards that are effective in allowing a company to survive a crisis?
5. What are the key issues that boards need to pay particular attention to during a crisis?
6. What should boards not do/abstain from doing during crisis times?
7. What should boards not forget to do or pay attention to during a crisis?

ANSWERS FROM OUR ACADEMIC EXPERTS

Ludo Van der Heyden
INSEAD Chaired Professor in Corporate Governance and *Emeritus Professor of Technology and Operations Management*

1. What do you see to be the primary role or roles of the board?

The primary role of the board is to assume legal responsibility for the organization it governs. A company is a so-called moral person and holds rights and responsibilities similar to a person. Society wishes companies to be responsible actors and wants that responsibility located somewhere. The board of directors is that place. Shareholders come and go, so do executives and employees, but responsibility for the corporation, its errors, and mistakes, rests with the board.

Now, most of us are willing to assume responsibility if we have autonomy in decision making: it would be too easy for some to call the shots, while others are held responsible for the outcomes. The independence of boards can create tensions between boards and shareholders and between boards and executives, as the latter like autonomy too. Governance amounts to the proper exercise of this autonomy within a given (legal, owners, regulatory) framework.

This exercise is necessarily full of tensions. One of the significant pressures lies in balancing between long term sustainability of value creation and short-term interests such as dividends to shareholders (limiting investment and growth) and excessive benefits to senior executives and employees. Governance involves necessarily the management of conflicts of interests and also biases that people hold when they come to discuss these vital questions.

Boards make important decisions concerning strategy, people (CEO and senior executives), financing of the business and its future through investment, and rewarding those that contribute to the enterprise, be they dividends to shareholders or remunerations of critical employees.

2. Would you say boards have a lesser or more important role in crisis times?

When everything goes well (which is not that often the case), boards do not necessarily have to be very active. But when there is a crisis, people quickly call for responsibility – and that points to the board. Origins of crisis unfortunately often go back to the board, like when the board hired the wrong CEO or did not supervise the business sufficiently, did not identify significant flaws in operations, or allowed excessively risky decisions. Crises due to poor execution originate (in a physical sense) inside the business. The board does not execute, but delegates execution and is responsible for it. But, there too, the fire often goes back to a lack of supervision, including safety. Quite often, a board may not have cared sufficiently about the business. CoViD is quite different in that respect because the origin of the crisis lies outside the firm. But some companies have bought masks for their employees while others have not. Some board members, observing events unfolding in China and Taiwan, immediately challenged executives and board members, while others did not. These are risk oversight issues and hence board issues as well. Active scanning of what might be coming on the horizon to impact the organization, its markets, and stakeholders is good board practice.

3. What is different for boards during crisis times?

The objective suddenly shifts from making money to survival. Time is of the essence. The game is to move ahead of the crisis, not stay in reactive mode. Meetings multiply, and the requirement for attention span becomes much higher. And, amidst this, one thing is sure: in crisis, the board cannot afford to make many mistakes. A single one can be fatal to the organization. Hence, one must be prepared for and understand the crisis one is facing. Most CEOs enter a crisis perhaps not even having managed a single disaster in the past; a good board, in contrast, will have individuals who together might have lived through 10 or 15 crises. Having a deep crisis experience on the board then becomes invaluable for a CEO who never had to manage a crisis before. For these reasons, crisis governance also calls much more than in regular times for crisis experts who know how to contain and then kill a fire.

4. What are the characteristics/features of boards that are effective in allowing a company to survive a crisis?

The first must be crisis experience amongst board members. Most crises share patterns with previous (or like CoViD-19 other unfolding) crises. Understanding these patterns allows faster detection of an emerging crisis and more effective handling. Hence, diversity of board experiences and backgrounds are beneficial too since that grows the collective experience base and crisis knowledge on the board.

Close second – as it derives from the first characteristic - is knowledge on how to fight and manage a crisis. There are some fundamentals here: framing the crisis early and accurately, exploring one's options, building multiple lines of defense, a bias for action, quick and forceful decision-making, regular evaluation of progress, and rapid adjustments as a function of new information. These are some common characteristics of successful attempts at beating a crisis.

5. What are the key issues that boards need to pay particular attention to during a crisis?

One of the keys of successful crisis management is to identify the main obstacles to conquering the crisis – and what are the easiest ways to measure whether one is winning these battles or not. Once well-chosen and articulated, these parameters create a sense of progress. They build confidence that the leadership is leading the troops to victory. Coming forward with a set of scenarios that are credible and that allow us to hold the fort is what people wish to hear. And then informing all stakeholders that milestones are indeed being met. That is always the best news.

6. What should boards not do/abstain from doing during crisis times?

Framing the crisis poorly or wrongly, delegating fighting the mess to the management, being guided by the wrong indicators of progress, not watching the cash, not communicating clearly or regularly, talking too much, not paying attention to the emotions of people, not being present or aware, hoping to return to the past, not using the crisis to make tough decisions, fighting at board level or with the management, not having sufficient or adequate resources to fight the crisis, deciding on too many changes and having too many interruptions, not having the data or a clear sight of what the emergency is about and whether one is winning, staying on too long and relying on people who either burned out or are unfit to fight, no pit-stops to evaluate what one needs to adapt. In a word, making things worse.

7. What should boards not forget to do or pay attention to during a crisis?

Frame the crisis correctly, fight the crisis with the management, be guided by the right indicators of progress, watch the cash, communicate clearly and regularly, talk directly and with few words, pay attention to the emotions of people, be present and aware, understand that the future will be different and prepare for it as of now, use the crisis to make tough decisions, avoid fighting at board level or with the management, have sufficient or adequate resources to fight the crisis, keep the line and be steady, have the data that provides you with a clear sight of what the crisis is about and whether you are winning, be ready to leave if you do not provide the leadership required to win, change people who burned out or are unfit to fight, have pit-stops to evaluate what one needs to adapt. Keep making things better, and you will eventually get there and remember that it was hell, but that the brave won.

Tim Rowley
INSEAD Visiting Professor and Distinguished Fellow of the INSEAD Corporate Governance Centre

1. What do you see to be the primary role or roles of the board?

I like to think about the board's role in three steps.
The first step relates to the core purposeof boards: ensure the long-term value of the organization. We can think about value as maximizing some desired outcome or, in our current situation, in terms of survival. So, as a first step, the board must answer the defining question, "what is value to this organization?" This question is answered by considering the interests of shareholders/owners and other key stakeholders. This exercise is more difficult for a government agency and not-for-profit organizations. Once the value is clear, the board can think about the specific roles it has to assume effectively to contribute and induce value creation.

Step two is to translate shareholder and significant stakeholder value into the mission and goals of the organization. While management builds the strategy, the board is responsible for ensuring that the chosen strategic direction aligns with the values defined by shareholder and stakeholder interests. This crucial and challenging task can be entirely missed.

Step three involves the execution of that strategy: to ensure that management executes the strategy that aligns with mission and goals. This role has two essential roles. The board must act as an oversight body, ensuring management is working for shareholder and stakeholder interests. Many boards are comfortable in this role, acting like police officers or parents overseeing management. The board must also play another role ensuring decision-making effectiveness by mentoring and coaching the management team. In this capacity, the board assists management by identifying blind spots, being the "sounding board" for management's ideas, and supporting their development as executives. This role is sometimes missed or discounted by boards even though it is critical to generating value.

2. Would you say boards have a lesser or more important role in crisis times?

As a professor of governance, of course, I'm going to say that boards are always relevant. However, I must admit that they are most crucial in times of crisis or any other event that is different than "business as usual." A board reminds me of an airline pilot. With all the automation in the cockpit, pilots can allow the technology to operate many tasks involved in flying the plane safely. But when something goes wrong, the pilot must be there to address the unexpected. The board is always essential, but, as a pilot in a plane, it is critical when facing issues for which no operating procedures or plans exist.

3. What is different for boards during crisis times?

Everything! You will need to get closer to the organization in terms of more meetings and more phone calls. The board and management need to be a well-functioning team. I know some boards that have had daily phone call meetings during crises. So the most significant change is your time – be able and willing to commit more time!

Second, it is imperative to support the CEO. A crisis is a highly stressful time for management. The CEO will be alone and dealing with issues she/he has not seen before. It is not a time for the board to be critical but rather to partner. The CEO needs the board to listen and consider options. Working together in the spirit of "effectiveness" rather than "oversight" is helpful (see my answer to question 1).

4. What are the characteristics/features of boards that are effective in allowing a company to survive a crisis?

This is an excellent question because the qualities I see as most important are also the ones that are often absent during crisis.

- Calm – in the face of stress, tension, and pressure, a calm board provides the right tone. Be committed, but calm.
- Data-driven – when we experience unexpected or black swan events, it is easy to guess and make predictions based on little or confusing information. Good boards rationally gather data and information (step 1). The critical question then is, "what don't we know?"
- A well-trained team – Boards that are good in crisis have "practiced" in good times, so they are a capable team. There is lots of trust and not many egos.
- Financially aware – excellent financial skills are critical in a crisis.
- Networked – board members have good networks of outside contacts that will allow them to gather information and influence decisions such as government policy changes.
- Crisis seasoned – they have been through difficult times before. If you don't have this strength on the board, a crisis expert is a worthwhile expense.
- Know the business – while it is too late to gain knowledge about the organization during the crisis, great board members have a deep understanding of the company and thus can consider the "ripple' effects of issues.

5. What are the key issues that boards need to pay particular attention to during a crisis?

Here is a list of critical items I gathered from a group of 20 board chairs addressing Covid-19. It is not a checklist that will fit all organizations. Instead, it is a starting point that can be customized for your board and your organization. For example, there is a big difference between organizations with and without ample cash reserves.

- Cash flow – this is the most critical metric, and the ability to predict cash flow under different possible scenarios is invaluable.
- Sales versus expense reductions – in crisis expenses decline slower than sales – what is your expense reduction plan, and how will you see sales declines before they happen?
- Account receivables and payables – manage these accounts effectively to preserve cash and sales.
- Credit line – draw down any lines of credit now so that it is available if you need it, don't wait and let banks rescind credit lines.
- Employee safety – the board must oversee the safety and health of employees. Do not fail the trust of employees as it will be challenging to earn it back.
- Annual budget – you must start over with new objectives and a new bonus structure (if possible). The short-term view has completely changed, and "value" has to be re-defined.
- Headcount – time to stress who is most critical and how to raise productivity.
- Capital spending – ensure that it is stopped or at least limited.

- Supply Chain Interruptions. Is the management team ensuring suppliers will be able to deliver necessary materials?
- Morale – during a crisis, managers and employees can “go dark.”
- AND – a plan for resuming operations and bringing customers/clients back.

6. What should boards not do/abstain from doing during crisis times?

I think the biggest mistake is for the board to move into management territory. Your job is to oversee and support, but remember the management does the execution. So, it is only under extraordinary circumstances and after a full discussion and agreement that the board takes on specific tasks that would typically be management's responsibility.

As mentioned above, the other big mistake I see is board members overreacting and basing their opinions on minimal information. For example, board members sometimes conclude what customers will do based on their own or their families' behaviors. We call this small sample size reasoning, and it is dangerous. Few board members are like the organization's average customers. During times of crisis, board members are more likely to make this mistake. Again, get the data!

The other mistake is to blame. It is not time to blame others for why this is a crisis. (Do not follow President Trump who is currently blaming the WHO for the drama unfolding in the US.) It is time to look for solutions. Identifying the sources of the problem is essential to generate effective solutions, but pointing fingers will create political behavior and increase the tension, which will be counterproductive.

7. What should boards not forget to do or pay attention to during a crisis?

This question has been covered earlier. There is so much to do. Let me end with one thought as a motivation for your board work during a crisis. Once management and the board have analyzed the situation and have done so quickly, do not be slow in implementing reasonable change.

I often don't like analogies to science, but during a crisis, organizations might follow the lessons from biology. Darwin famously said that survival is a function not of who is the strongest or most intelligent, but the most adaptable to change. What I have tried to encourage in my answers to these thoughtful questions is that boards must enable and support necessary change.

Foremost, good luck to all of you – I wish you good data, a calm mind and an open management team.

Annet Aris
INSEAD Senior Affiliate Professor of (digital) Strategy

1. What do you see to be the primary role or roles of the board?

The role of the board is to be the guardian of the long term prosperity of the company while balancing the interests of all stakeholders in a fair way.

In doing so the non-executive (or supervisory) board has three specific tasks:

- Making sure the house is in order: do the numbers reflect the true situation? Are the control- and risk systems in good shape? Is the balance sheet sound? Are ESG goals formulated and controllably achieved? Is the company compliant with laws and regulations? Is the representation of the company to outside world insightful and transparent?

- Guiding the strategy i.e. : Challenging and approving the strategic plans made by the management, approving or disapproving the major strategic decisions, such as M&A, big investments or product roadmaps, and stimulating the management to look at new strategic options

- Employer: Making sure the right top management team is in place and there are good plans for development and succession. Defining a balanced remuneration policy and setting variable remuneration kpi's which support the strategy of the company.

2. Would you say boards have a lesser or more important role in crisis times?

A crisis is a moment of truth: when a board has done its homework well before the crisis - i.e. it has made sure that competent top management is in place, it has taken risk management seriously and made sure that the company is robust shape, both operationally and financially - then the board should not get into the way of management too much, but let them do their job. They key role of the board in this situation is to look critically at scenario's and action plans drawn up by management, challenge them constructively and support the management where needed, making sure that they can function well.

The story is very different when management is not up to the task (or it turns out that a perfectly good manager in normal times fails in times of crisis), in this case the board has to step up and get much more actively involved, e.g. by replacing part of the management in a timely way or taking on management roles themselves. When operational or financial risks threaten to kill the company, the board should be very closely involved to make sure that (daily) decisions are made in the right way.

3. What is different for boards during crisis times?

When the board hast the confidence that the management is up to task of managing the crisis, the role of the board becomes more focused. i.e. the board should be careful not to burden the management by asking for too many updates and slowing down decision making. However the board should know which are the crucial moments when their input is needed. This might be different from the "official mandate" of the board as put down in charters and articles of association. There should be an open discussion between the board and top management on which topics the board will be kept closely informed (e.g. the safety of people), for which topics explicit advice of the board will be asked (scenario's, action plans, (re) financing decisions) and for which topics the explicit approval of the board is needed on top of the normal approval rights (e.g. share buy backs). At the same time it should be clear for which topics the management has the mandate to act independently. Special attention should be given to the orchestration of the communication (especially in Covid times), spending extra time outside the board meetings in smaller groups will be needed to be able to get a more in depth insight in critical topics and at the same time it should be ensured that all board members have the same level of information.

In case the management is not up to the task, the role of the board becomes very important because it will have to decide early on to take action and make sure good alternative management solutions are put in place and at the same time keep a very close eye on all major decisions taken by management.

4. What are the characteristics/features of boards that are effective in allowing a company to survive a crisis?

In times of crisis only those boards will function effectively where members have a high level of trust and respect for each other. Also it is important that a variety of backgrounds is represented in the boards, varying from people who are experienced crisis managers to people who are more reflective and tend to take a longer term view. From people who are more task oriented to people who have an explicit eye for the human side and on how people are functioning in times of crisis.

Well-functioning boards in times of crises excel in effective communication within the board, with management but also have good antennae's for the outside world and how certain actions by the company will be perceived by the various stakeholders. The board should find the right balance between supporting the management (also emotionally) in these difficult times and also still challenge the management in a constructive way, in spite of the feeling of solidarity that one needs "all hands on deck "in stormy weather.

Finally the board will need courage to take difficult decisions in face of great uncertainty and the ability to quickly change these decisions when they turn out not to work or circumstances change. Good boards keep a cool head and become calmer in times of crisis rather than more activist.

5. What are the key issues that boards need to pay particular attention to during a crisis?

Content wise the board should be very much on top of the various scenario's which are being developed by management and the resulting action plans. As it is very difficult to predict the future, especially in crisis times, the board should also pay attention to other approaches such as sensitivity analysis or reverse stress tests to truly understand the potential impact of the crisis. The crucial debate is to what extent a company should invest in "prepare for the worst" - e.g with regard to liquidity buffers or lay-offs - versus keeping capacity on board in order to be able to start up quickly again after the crisis and even gain market share. These types of judgements need a thorough and open discussion between management and the board.

Another important role of the board is ensuring the balance between the different stakeholders in times of crisis, e.g. a fair trade-off between cutting dividends, laying off employees, using state support and curtailing executive bonuses or salaries. Understanding the importance of perception and the emotions around these decisions will be an important skill for boards in these times. Last but not least the board should keep its eyes on the long term. While management is very busy fighting the crisis, the board has both the distance and the time to keep an eye on the long term future

Joe Santos
INSEAD Affiliated Professor of Practice in Global Management and a Fellow of the INSEAD Corporate Governance Centre

NB. Joe wishes to share the following pre-amble regarding his statements in this report: "I chose to interpret the 'crisis' in questions 2 to 7 as a crisis *comparable* to Covid-19. My answers are not for a generic 'crisis times,' but for *now* and for future similar circumstances. As crisis go, Covid-19 is of a rare type – singular, global, complex, radical –, impacting the world and the business environment around the company, not just the company or its people, and ultimately capable of bringing about a 'new normal.' This is why I deem such crises as *critical crises*."

1. What do you see to be the main role or roles of the board?

In my view, the main roles of a company's board are:

- to assert and enforce all *company-specific* principles;
- to safeguard the integrity and effectiveness of the company, be it as a legal entity *and* as an enterprise;
- to determine the *pecking order* of the company's stakeholders; and,
- to ensure that the *history* of the company's performance is kept in a way that is particularly suited for the benefit of future directors and future executives of the company.

These four roles are to be performed solely by the board.

2. Would you say boards have a lesser or more important role in crisis times?

A *more important* role, much more. A critical crisis – like Covid-19 – brings about the most severe test to the integrity and effectiveness of the company, *both* to the legal entity and to the enterprise performance (that is, its conduct).

Board intervention is likely to be required early on to alter the pecking order of stakeholders, a rare but crucial decision as any crisis has differential impacts on stakeholders. Crisis times also call for a reflection about, and reinforcement of all company-specific principles as the fixed guide for executive action, while using company history to assist chief executives who typically have a lesser experience of the company.

3. What is different for boards during crisis times?

Decision making becomes very different. Critical crises are times of high *absolute uncertainty*, the uncertainty that is not reducible to risk. In such times, decision-making cannot follow the usual canons of future orientation, such as expected value or portfolio thinking, let alone "vision". Judgement must flow from principles and from history, from what is unwavering as well as from the accumulated experience of past shifts in the history of the company.

Agenda-setting is different. Crisis times are highly paradoxical: times of great danger and of great opportunity. But *not* at the same time. The shock may be an instant, but the crisis is a dynamic process. *Timing* is of the essence. Danger comes first, opportunity later. Boards should first focus on existing vulnerabilities and the short-term, and let the executive team dedicate itself fully to managing and ensuring operational continuity. Later, and separately, boards should focus on the existing capabilities of the company to nudge its business environment and to discover and deal with the opportunities that will start to materialize.

4. What are the characteristics/features of boards that are effective in allowing a company to survive a crisis?

Boards should include direct experience of periods of absolute uncertainty, as well as deep knowledge of the company principles and history, and with a good grasp of the company as an enterprise, of its path-dependency and resource-dependency – namely, of financial resources and obligations.

Surviving a crisis often calls for wider and deeper forms of external cooperation and access to resources. Therefore, boards with significant social capital are vital.

Crises are not times for ambiguity, nor for “if …”, nor for “but …”, not for “grey”. They call for clarity in decision making and decisiveness, for “black” or for “white” – an exclusive “or”. Ambiguity heightens the level of anxiety and distress created by the crisis at the individual level, and fosters divisions in the company, paving the assured route to destruction. During crisis times, boards must be a role model for the rest of the company, a source of cohesion and impetus.

Finally, a crisis is a clear and eminent opportunity for an objective review of the board performance. First and foremost, to check if the board ensured the preparedness of the company for the crisis (stress tests, continuity plans, shock management procedures, and so on). Such preparedness is a board responsibility, not a managerial one, as it is the board that safeguards the integrity and effectiveness of the company.

5. What are the key issues that boards need to pay particular attention to during a crisis?

During a critical crisis, the human condition becomes an imperative, not a choice. Boards must place and keep the people and the organization of the company at the top item on their agenda.

The integrity of the legal entity is also a key issue, and so are the obligations of the company, more so than in normal times. Handling the legal rights of the company requires delicate care, as trust, solidarity, and cooperation are also imperatives during a critical crisis.

The review and support of a new chief executive or a new executive team, recently appointed before the crisis, is another key issue. This is especially true for executives that came from the outside or from other businesses. Boards may have to consider the temporary reassignment of such executives – as they lack the experience and relationships to handle operations and business continuity during the crisis.

The level of preparedness for the opportunities to come, as the crisis unfolds, is another key issue and one that may be distributed to recently appointed executives.

6. What should boards not do/abstain from doing during crisis times?

Boards should not interfere with, nor confuse the chief executive or the executive team – and abstain from having committee meetings or other activities that consume executive attention and time. Prevent non-executive or outside board members with a past successful career as chief executives from meddling with or chattering about the management of the company.

Crisis times are times to value unity, not unanimity. ‘Groupthink’ must be avoided completely. External displays of disagreement with a board decision by a member of the board, even only to the executive team, should be met with severity.

The role of the chair becomes critical in all of the above. But avoid almighty chairs, namely those that got their might from a successful career during normal times.

7. What should boards not forget to do or pay attention to during crisis?

Even at the height of a critical crisis, boards should never stop considering, discussing, and displaying their commitment to the future of the company. And, again, do it without consuming too much executive attention.

They should encourage the executive team to put in place some new, but assured technology in some readily visible activities so that the commitment towards the future of the company is never in doubt to everyone inside and outside the company.

Boards need to continuously understand how the crisis is unfolding out there, what is becoming known, what remains uncertain, what kind of new dangers and new opportunities are emerging.

For that, they will need information and expert advice. But not the usual ones. Seek experts in the humanities and in the social sciences. Listen to anthropologists and business historians. Talk with experienced executives, board members, and retired leaders from various “emerging markets,” and reflect with them about the experience of living and leading during problematic, but hopeful times.

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1. What do you see to be the primary role or roles of the board?

The board of directors is the steward of the institution. It is collectively responsible for the enterprise and relies on the personal integrity, competence, and assertiveness of the individual directors to ensure that the best short- and long-term decisions for the institution are made. Specifically, it needs to approve the strategy, ensure there is an appropriate risk and controls framework, and manage (all) stakeholders.

2. Would you say boards have a lesser or more important role in crisis times?

I would say they have a more active role in a time of crisis. Boards are equally vital in or out of a crisis. However, during crises, there needs to be a bias to act in the organization. Such bias often requires exceptions to or additional authorities from the board of directors. Hence, the board tends to be more engaged in crisis times. The decision-making and the regular administrative processes need to be accelerated to ensure the board is aware of the situation, the impact of the crisis on the institution, and the actions being considered and taken.

3. What is different for boards during crisis times?

During a crisis, there is an increased level of pressure on boards to make decisions more rapidly and without the availability of complete information. The flow of data from the organization and from management to the board needs to take place much faster than regular times. Sometimes, it will be in response to a board request to understand a particular business activity, or geography, that is impacted by some type of crisis. A crisis is also the time that directors need to be resourceful and use their relationships and contacts for the benefit of the organization. They need to lead by example and ensure that the morale of management and the organization is high. This requirement becomes more challenging when particular businesses need to be sold or closed. When this is required, action should be swift and honest. The remaining people need to be incentivized and motivated to meet the goals set to navigate through the crisis, formally through a key employee retention program (KERP). In a crisis, more than at any other time, boards need to ensure that the organization has the right people in the right jobs.

4. What are the characteristics/features of boards that are effective in allowing a company to survive a crisis?

To focus the management on the right issues and help the organization come through the crisis, the board needs to frame what the crisis is actually about. A good board in crisis can quickly assess the critical issues and identify important information.

The board needs to remain calm and level-headed through a crisis. It must provide a "steady hand" to management and the organization. This steady hand will help both the board and the management retain credibility, which is vital in a crisis. It should establish high-level (sometimes longer-term) goals, as well as short-term milestones, and be able to convene either in its entirety, or in a subset, or crisis subcommittee, with short notice. And it needs to be able to make decisions rapidly while keeping all the directors on the same page concerning information and the solicitation of each director's input.

When a board can frame the issue thoroughly, it is then able to establish effective measures, in conjunction with goals and objectives, for management. Resources must be allocated to those areas that will make the most significant impact in resolving the crisis. Boards may determine remuneration levels that are much greater for certain people in high impact positions. Finally, as many things are going on at the same time, it is useful for the workload to be relatively evenly distributed among the directors, starting with committee work. That builds team commitment and engagement on the board.

5. What are the key issues that boards need to pay particular attention to during a crisis?

Is the board aware of the external perception of the institution, i.e., the public, customers, regulators, etc.? Every institution has its levers of power. The board needs to have a clear grasp and command of these levers. Depending on the industry, these may be key supplier relationships, or government regulators, or funding and liquidity providers, etc. Be open to bad news and the truth, be prepared to change your views.

6. What should boards not do/abstain from doing during crisis times?

Leave everything to the CEO and management. Not be engaged. Not understand the issues affecting the institution. Agree to anything it doesn't fully understand. Ignore the staff. Panic. Become too authoritarian. Look backward to blame people for why they are in a crisis (the retrospection should wait for when the crisis is over).

7. What should boards not forget to do or pay attention to during a crisis?

The board should continue to consider what else could happen, including how it could get worse, and what to do if that eventuates. Members of the board need to maintain their independence, and they need to be assertive, more than in regular times. They also need to think about the future, i.e., when the institution is out of the crisis. Always keep the institution's stakeholders informed and stay low-key: Avoid surprising people!