



Group governance

'Parent-subsidary board co-operation significantly contributes to group cohesiveness in all key areas, such as strategy, risk appetite and control effectiveness. It also helps integrate the culture of the group's centre with those of subsidiaries and ensures that subsidiary boards and their subsidiary-only non-execs are well aware of the values of the parent and can therefore lead subsidiaries in the culture area.'

Stilpon Nestor and Catalina Fuentes Benitez

How boards are dealing with coronavirus

'I'm going to be encouraging people to have a decision-list instead of a to-do list. One of the challenges at the moment is we might have ten decisions to make, but if you only need to make half of them now it's important to get those five right. We need pace but it's important to get things right and reflection is powerful.'

Patrick Dunne

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How boards are dealing with coronavirus

Governance launched our YouTube channel this month by bringing together two experts, **Patrick Dunne** and **Alison Gill**, to lift the lid on how boards are responding to the coronavirus crisis.

‘Coronavirus has been a profound step change’, said Patrick Dunne, experienced Chair and author of *Boards*, to Alison Gill, CEO of Bvalco, when they met up for an online conversation to share their experience of helping boards to respond to coronavirus.

‘As with the rest of our lives, if something material happens, we learn a lot about each other. I see non-execs learning a lot more about the business than they knew before and non-execs and execs learning a lot about each other as they go through this’, he adds, placing considerable emphasis on ‘how difficult it’s been for some people to strike the right balance between oversight and support’.

Alison agrees, ‘I was working with a board last week and it reminded me of some of the case study work we do on the Financial Times NED Diploma, where we put people into a crisis situation. The first tendency of new non-execs is to try to control the situation and almost do that exec role. It’s really important to help non-execs understand their role in all this and their role isn’t to overstep into the exec territory’.

Another challenge flagged up by one of our readers, who submitted a question was around how to shift the focus to longer-term thinking. ‘What’s been interesting is things people thought were impossible, just six weeks ago, now seem to be doable, with really good process’, replied Patrick.

‘The urgency has forced the need for simplified supply chains and processes. There will be learning from this in terms of the pace and agility we are capable of and also the inevitable mistakes we will also have made. So it is critical that we reflect when we are able to.’

Alison agreed, saying, ‘I’ve found boards are setting up small subgroups of the board with non-execs and some execs from the business to think about the long-term and positive opportunities that can come out from this. So thinking really creatively.’

‘Yes, where there have been Covid taskforces, there’s a danger that if you carry on with that for too long, you effectively have a nucleus board, and those not in it feel excluded’, said Patrick. ‘We all know that the more diverse the group the better the decision-making will be. So, you could get one group of trustees working on the here and now and another group thinking about what this means for our strategy, so you’re engaging everyone with something that matters.’

In response to a question about encouraging the board and trustees to think about longer-term consequences of some

of the short-term decisions, Alison explained, ‘It’s helpful to encourage the board to think about things started during the crisis and things stopped during the crisis and, looking forward, things you want to amplify, because they’re new practices, and things that you want to restart.’

‘It’s a really simple way of looking at what are we doing differently and what do we want to keep. The most obvious example will be working from home as lots of people will want to continue doing that.’

Another area discussed was return-to-work strategies and anxiety about this. ‘I was talking to a chairman about this yesterday, about how it’s really important to think about communication strategies’, explained Alison, ‘People might perceive a change in communication with mistrust, so it’s important to explain that if we change our message it’s not because we’ve made a mistake but because we’ve found a better way to do things.’

According to Patrick, ‘Many organisations have found the way they have behaved with people has massively increased loyalty, resilience and capability, others have found the reverse effect. There’s that fantastic quote from Maya Angelou: “People may not remember exactly what you say, or what you did, but they will always remember how you made them feel.”’

He adds, ‘Look at the difference between retailers, where some have stood up to their commitments to suppliers and others haven’t. I’m willing to bet, as we come out of this, which of those suppliers will bring their best ideas to those companies and which will be busting a gut to help them. How we behave through this is really quite significant.’

‘You’re absolutely right’, added Alison, ‘There’s something about what we’re noticing. How am I feeling about this situation, what am I noticing about myself, how the board behaves, how I stay in touch with people.’

Patrick responded by saying, ‘It was noticeable that the first week the government announced these schemes without the detail there was enormous frustration within the business community. The lesson for business leaders was that they should recognise that this might be the reaction of their teams if they make announcements without supporting detail. Logistics and details matter to people and help convey a feeling that you are on top of things. Some boards and CEOs are being just terrific at saying this is what we know, this is what we don’t, this is what we’re trying to work out. That openness and transparency is really helpful.’

Feature

He adds, 'It's worth thinking through the different scenarios and what might be the choices we have to make in those different scenarios. The economic scenarios are short sharp shock, recession or depression. The potential exits from lockdown are sudden general release, phased return or extended lockdown for most of 2020. Rather than trying to bet on what's going to happen, look at combinations and spend more time thinking through implications.'

In answer to a question about how boards go about prioritising talking to shareholders, Patrick said, 'One point of tension at the moment is around dividends. If you have been taking furlough support and a CBiL loan then this looks a bit challenging. If, however, you have managed independent of taxpayer support and are doing well then it seems more reasonable to pay one. If all companies stopped issuing dividends that would have serious implications for pensions. Realistically you can't meet the needs of all shareholders all the time. If you're going to make staff redundant, it might look like you haven't taken them into account, but if that means the survival of the enterprise then you can. You can see with British Airways an interesting example of this.'

Asked if we've seen true traits of board behaviour in the face of pressure, Alison said, 'I've been doing some work for a board on their succession plan and one really good thing that can come out of this is that it's a really good skill to be able to talk about the different people on the board and how they're responding. Some of that is personality driven, some is about the role and changing requirements and some is about what's going on for them at home and the new and different circumstantial pressures they're under.'

Patrick said, 'You really get to see who your stars are. Some people are just surprisingly good. You also find out who your next Chair is in situations like this and the board members who have really got this. You find other people who, for whatever reason, just crumble. A consequence of which is the composition of boards will change. I've heard a number of non-execs already say, this is hugely hard work, I'm committed to this now, but I don't want to go through another one of these.'

He adds, 'Another thing is, the whole Zoom culture we're taking part in now is biased to extroverts, but it's useful to have introverts on the board, people who like processing and thinking. It's really important for Chairs to engage introverts in the right way, calls before and questions to draw them in at the right point, rather than depending on them to interrupt a Zoom call, which is really difficult for introverts.'

In response to a question about the quality of decision-making, Alison said, 'We need to build in and embed discipline around reflecting on decisions and having good process as well as good behaviour.'

'I'm going to be encouraging people to have a decision-list

instead of a to-do list', said Patrick. 'One of the challenges at the moment is we might have ten decisions to make, but if you only need to make half of them now it's important to get those five right. We need pace but it's important to get things right and reflection is powerful.'

Concluding by talking about attitudes to risk, Patrick said, 'What's interesting is how the stress testing of the banks following the financial crisis has helped us hugely through this crisis. What we didn't stress test was lots of other things. People will start to think about risk management in a very different way. Instead of having loads of events on their risk matrix, they will have consequences. Thinking about the consequences of a pandemic would have helped a lot more than just thinking "Will there be a pandemic?"'

To watch the full conversation, visit our YouTube channel at <https://www.youtube.com/channel/UCp7TFUOu43AdHtgctwuNBXQ>

Lesley Stephenson is the Publisher of Governance and of the Financial Times Board Director Programme.

Alison Gill is a behavioural psychologist, founder and CEO of Bvalco, a board review consultancy, and co-author of Exiting Coronavirus with a Stronger Board.

Patrick Dunne, is an experienced Chair and author of Boards, a thought-provoking guide to life as a board member.

Governance webinars

Governance, in association with Alison Gill of Bvalco and Patrick Dunne of Boardelta, has started to run a series of free, one hour webinars looking at topical issues for board members.

Thursday May 28th, 12.00 – 13.00

Building Boards Back Better – It's more than just about Covid-19

In our third webinar, Patrick and Alison will continue to look at how boards should be addressing the Covid-19 pandemic in the light of developments since the previous webinar on 14th May. As Patrick mentioned during that webinar the next looming crisis, which will be even bigger than the pandemic if we don't take adequate steps to deal with it, is Climate Change. We are delighted that we will be joined by a guest speaker from Chapter Zero – the Directors' Climate Forum <https://www.chapterzero.org.uk/> to look specifically at how boards should be preparing for that and the practical steps directors need to take now.

You can register for the event here https://us02web.zoom.us/webinar/register/WN_5LibFsEeR6-dS9KZM3TCTw

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- Contextualising strategy and performance outcomes
- Defining and signalling how we want and need managers and employees to act and behave.
- Setting the risk boundaries to guide the most effective use of the capital invested in the organisation.

It is clear that there is no single 'silver bullet' that will address all the issues that impact the outcome of the implementation of a strategy. However, by addressing each element of our proposed approach and their interaction with the other elements, the quality of performance outcomes will be more transparent. We therefore encourage firms to use the proposed approach to incorporate risk, actions and behaviours into their planning to increase their resilience and ability to thrive.

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Hans-Kristian Bryn is a senior risk management and governance adviser focused on value enhancement and protection. He leads complex risk management and governance engagements for both Boards and EXCOs of FTSE 100 and 250 corporates, as well as PE owned firms. He is also developing and publishing thought leadership on topics such as disruptive risks, risk appetite, risk-based decision-making, governance and reputational risk. hanskristianbryn@aol.com www.linkedin.com/in/hanskristianbryn

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