



THE BOARD'S ROLE IN SHIFTING FROM COVID-19 REACTION TO **STABILIZATION, RECOVERY, AND GROWTH**

Most boards' early response to the global pandemic included the evaluation and ongoing monitoring of company liquidity, as well as operational and risk assessments. However, as executive teams are currently laser focused on managing the day-to-day operations of the business, boards have become the voice for scenario planning of global and national enterprises—a voice that keenly considers how today's decisions will impact the eventual recovery and exit from the global pandemic.

Chief among these concerns is how decisions around talent will impact a fast restart. Many directors agree that talent will be among the key differentiators as companies weather the COVID-19 crisis and emerge in a new world. Boards recognize that long-term organizational health is both human and financial, and that paying attention to the needs of both will pay important dividends throughout the crisis and during recovery.



WHAT BOARDS ARE TALKING ABOUT

Board discussions center around how decisions made during the immediate reaction and stabilization phases of the crisis will impact talent once we exit the crisis and enter recovery and regrowth. Specifically, boards are considering impacts on employee financial stability, changes to executive compensation, and the long-term effects of the crisis on mental and physical health, etc. While some of these questions may not have answers for some time, boards worldwide are discussing how best to plan ahead.

CRITICAL QUESTIONS THAT BOARDS SHOULD BE DISCUSSING AND ACTING ON:

- 1.**
Through all of this, how are the board and executive team incorporating the company's values into decision-making in a way that advances stabilization and eventual recovery?
- 2.**
How is the board supporting the CEO to manage the health, well-being, and safety of the employee population?
- 3.**
How is the board evaluating compensation plans so that they place employees' well-being—inclusive of but not limited to the C-suite—as the top priority, and position the company for a quick recovery post-crisis?
- 4.**
How have stakeholders been reprioritized? How are the board and CEO differentiating communication plans as a result?
- 5.**
How is the company's cash and liquidity position influencing scenario planning? Are operational and talent risks being considered simultaneously?
- 6.**
How is the board planning for emergency succession, and what is being done to identify leaders who are struggling to adjust?
- 7.**
What steps are the board and CEO taking to optimize key talent during the crisis that will allow for acceleration afterward?



WHAT BOARDS ARE DOING

As top boards consider these questions, consistent themes are emerging about how modern business is reprioritizing the focus on talent through the crisis and beyond.

For several years, the strongest boards have activated around the importance of succession and have had at least one meeting a year focused on talent alone. Given the crisis, these boards are aggressively expanding the breadth and depth of emergency succession to include all roles critical to operation—not just the CEO and CFO. This entails ensuring there are multiple “ready now” successors one, two, and even three levels into the organization. In fact, one CEO said, “Never has the breadth of emergency succession been as critical to the sustainability of business operations and customer service.”

Several board chairs and lead directors have also activated more comprehensive director-succession plans for themselves as inevitable strategic shifts may require different skills and experiences in the boardroom moving forward.

Several directors have also commented on the need to prepare for disruption in the leadership ranks. Whether due to illness, early retirement, recruitment, or burnout, there will be a need to evaluate the breadth and depth of the leadership to ensure teams are ready, engaged, and reenergized for recovery. This is true for companies in both essential and nonessential industries.

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Boards have also recognized the need to start assessing top talent in an effort to identify the leaders who are struggling with the change from the previous world of growth leadership to the current reality of crisis management. Unfortunately, this crisis is also revealing not only the strengths of top teams and leaders but also the weaknesses. Moreover, strategic business shifts will potentially require different skills, expertise, and thinking at the executive level.

On the positive front, many executives are leading by example alongside their CEOs with demonstrations of humanity and compassion unseen on such a broad scale. For instance, numerous corporate executives are reducing or forgoing their annual compensation so that those funds can be redeployed to other employees or the communities in which their businesses operate.



Boards have quickly realized that the current executive and broad employee compensation plans for 2020 will need to be modified. Yet they also know that, before long, these same plans will need to reward and retain the leaders and employees that enabled the company to survive and thrive. The discussions have also included what the right balance of compensation between top leaders and employees will be during recovery.

We have also seen many companies act quickly to extend financial support to employees around the globe. For a large population of the workforce, wages have not kept pace with the cost of living. This is most evident among front-line workers and middle managers, who are now putting their lives on the line to meet the needs of customers and clients. We spoke to several directors who said that this could be a liability for employers if not addressed strategically and ethically. Unilever, Delta, Air Lines and Best Buy have committed to pay employees in furlough. Target announced it has raised hourly wages and is hiring workers to

enable stores to be staffed properly. Other companies are looking to hire furloughed hospitality workers for front-line support in the communities where they operate. These decisions were initiated by corporate leaders and boards, which realized that the stakeholder community consists of more than simply the investors.

All directors recognize that the toll of COVID-19 is not only physical and financial but also emotional. Essential businesses are working 24/7 to deliver goods and services with employees who fear for their own health and safety. Simultaneously, employees in “nonessential” jobs and industries fear for their job security or reemployment if they have already been laid off or furloughed. All employees are experiencing an unprecedented level of emotional trauma, the effects of which we may not fully understand for some time and will certainly continue once the worst of the crisis passes. Several boards have been collaborating on ideas to help address the unintended consequences of the long hours or virtual distancing on culture, leaders, and morale.



Boards must balance fiscal and operational decisions against the emotional well-being of employees who will need to return to work. As many executives are working longer hours in a more stressful environment than ever before, boards are rethinking the composition, size, and scope of top teams in an effort to support, replenish, and energize the executive ranks.

While boards continue to plan for various scenarios and chart a course that includes a recovery strategy, the most important consideration is for leaders to both make choices and communicate in alignment with the company's values. Talent at every level looks to leaders who shoulder the burden with them and live up to the values they so often promote. As one director commented, these are moments when a CEO and leadership team can cement followership if there is authenticity, honesty, and compassion in communication.

This pandemic is as much about leadership through significant disruption as it is the humanity of leaders to pave the new way forward.

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