

# Proactive Steps Directors and Boards can Take in Tough Times

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An unexpected shock induced recession provides an opportunity to take stock of corporate activities and their impacts, reconnect with stakeholders, and review corporate aims, purpose and strategies. Freed of the imperatives of a headlong scramble for growth, there may be more time to consider alternative operating and business models. Stakeholder aspirations and views on what is important may have changed as a result of collective experience of dealing with Covid-19. Nothing should be taken for granted and directors should proactively question and challenge. There might be more responsible and inclusive ways forward that do not reduce bio-diversity, contribute to global warming or damage to the environment.

Short-term decisions may need to be taken, but directors should also think longer-term. They can use periods of disruption to reflect on their own experiences, aspirations and priorities. Isolation at home could be an opportunity to review, reboot and reinvent. In a crisis such as a pandemic, everyday experiences can be opportunities to learn about what really matters to people, how they respond, who disappoints or delights, and who or what can be relied upon. Alert directors consider insights, explore options, and investigate possibilities for helping people, organisations, communities and societies to cope. There might be new services that could be provided, new relationships that could be built, or collective responses to support.

## Going Through the Valley of the Shadow

There is an old saying that it is better not to be tested than to be tested and found wanting. Many boards will need to review their own contributions during the pandemic. Some directors have provided the leadership required during a crisis while others have gone missing. In some cases there has been a wide gulf between board rhetoric about the need for speed and agility in rapidly changing times and uncertain and sluggish corporate responses. Many boardroom virtual teams, crisis response schemes, contingency provisions, plan Bs and disaster recovery arrangements have not risen to the challenge of Covid-19.

Many directors have difficult personal and professional decisions to take at a time of insecurity and uncertainty. In varying degrees, these and subsequent decisions will affect their and all our futures and the nature of the lives we may be able to live. With cash flow management experts and solvency and turnaround practitioners in great demand,

relevant advice may be in short supply. Following the initial Covid-19 wave, the market environment may remain changed for some time to come. Governments that have assumed unprecedented powers to cope with a crisis may vary in the roles they might wish to play going forward.

Life for many directors may yet get more difficult. Timescales, whether of various stages of exit from lockdown arrangements or when a Covid-19 vaccination might be available to protect the public, are difficult to judge. The legal, financial and practical consequences of the global pandemic and Government responses to it have given rise to complex and various conflicts of interest, defaults and disputes that will take some time to negotiate and resolve.

Some arrangements will need to be unwound and others extended. The prospects of companies will depend upon the judgements of their directors. Boards must remain balanced, calm and considered in the face of immediate challenges and longer-term possibilities.

## Every Cloud Has a Silver Lining

Recessions are not unknown events. Economic cycles can reassert themselves. Crises and fundamental shifts can occur with little warning. Directors should always be prepared for the unexpected. A shock might encourage a board to revisit and review plans, priorities and possible scenarios. It could lead to searches for increased flexibility and resilience, and avoidance of commitments that might limit changes of direction and/or the ability to quickly scale up or down as situations change. A lower level of activity might also provide the space to imagine a better future or release the bandwidth to make system and/or process changes.

Sustained growth can lead to shortages, tight labour markets, inflationary pressure and high levels of indebtedness. Some correction may be required to avoid instability. By letting off steam, could an economic and/or financial shock be beneficial? Economic slowdowns can remind boards and public policy makers of certain business basics. Leading players can be quickly supplanted by competitors or new entrants with better business models, or quicker adopters of an enabling technology. Some boards need to be reminded of the advantages of modest or low overheads, flexible contracts and being able to match operations and activity with fluctuating demand. In good times such considerations are sometimes forgotten.

Business leaders and boards should expect to deal with uncertainty. An effective board should ensure that people for whom they are responsible are ready for the unexpected. However, experience in sectors such as retailing in some markets show that many boards have allowed companies to become locked into long-term contracts that have given them little scope for quickly downsizing in adverse conditions or swiftly switching production and supply to meet priority requirements for coping with a pandemic. Far too many companies become bystanders and beggars rather than contributors of solutions.

### Initiating First Principles Reviews

To transform resource utilisation and performance in any continuing activities and/or to introduce or transition to more sustainable ones, are there certain steps that a board and senior management should consider? A crisis may change the requirements, preferences and priorities of customers and other stakeholders. A board could begin by considering what might change in the external business, economic, social and market environment as a result of the continuing and longer-term impacts of developments such as a global pandemic. What new challenges, opportunities and possibilities have emerged and might follow?

In the light of what has happened and might still occur, the vision, mission, goals and values of an organisation might need to be reviewed. Will these still be valid in a post-pandemic world with greater public indebtedness and existential threats such as global warming to face? In relation to any new direction, objectives and priorities, how relevant, adequate and flexible will corporate capabilities such as people and know-how, the form of organisation and operating models, technology, infrastructure and/or financial resources be? Whether or not they are owned, can these capabilities be accessed flexibly as and when required?

Can corporate capabilities be engaged and applied to what a board is setting out to achieve in a post-recession market? The key activities that will contribute most to achieving revised and new corporate priorities and associated economic and social objectives should be identified. Significant effort and resources are sometimes devoted to activities that are not critical for changing direction, reducing negative externalities or increasing flexibility, resilience and sustainability. Where possible, critical success factors for key activities should be identified and an assessment made of how many of them are in place. What about new and proposed activities or the requirements of succeeding with a different business model?

### Assessing Potential and Performance

Existing capabilities, including the approaches, attitudes, experience, knowledge and skills of current individuals and teams may or may not be ideal, or even appropriate, for a new direction and a different business model. What is needed may also change during a transition or transformation journey. Has what is required to excel going forward been assessed and/or scoped? Companies may know who their past high performers have been, but are they ready to identify who their high performers will be in future key areas? Are they prepared to identify, capture and share what those who are most successful do differently? Will such superior approaches be built into algorithms, methodologies, models, processes and tools?

Many organisations do not spot high performers because they are given the same duties, suffer the same frustrations and are forced to operate the same processes as everyone else. When paradigm shifts

occur and there is virgin territory to explore, new stars may come to the fore. Is a management team ready to make reliable judgements about who, what or which is most likely to succeed. Using external consultants to import approaches that worked on past assignments undertaken before rules of the game changed may not help a company to excel at something new in a different world. The right advisers, guides, scouts and support can be critical as a company embarks on a learning journey into an unknown future.

Manuals may not exist for new developments and proposed activities. They can quickly become out of date in rapidly evolving situations and often fail to reflect and share the experiences and lessons learned by those whose world is changing. Directors need to ensure that the people of an organisation are equipped to implement a change of direction. Learning and support tools that span value chains, communities of professionals and knowledge workers and networks of collaborators can be far faster and more flexible than traditional practices such as competitive intelligence or poaching staff from other companies. They can allow issues to be discussed as they arise, and enable the global roll out of what at the time are considered to be the best solutions to problems within hours of issues first being notified.

### Supporting Transition and Transformation Journeys

Directors should also consider the practical and psychological support they could provide to the people of an organisation, and also to those who are associated with it and dependent upon it. Demonstrations of care and concern when people are anxious and insecure may increase their support during a recovery phase. Following experience of operating from home, there may be new patterns of work to consider from the perspectives of both people and organisations. There could be different models of organisation and virtual operation to assess. Pragmatic and practical directors are open to various ways in which they could support initiatives to cope with a crisis, whether alone or in collaboration with others.

During renewal and recovery, people may need to be helped to understand new realities, approaches and offerings. They must remain current during transition and transformation journeys. There may be complex issues to comprehend and new business models and their enabling technologies to adopt. More resilient supply chains and new relationships and collaborations may need to be forged. Many companies adopt expensive, disruptive and time consuming approaches to restructuring and reorganisation, rather than practical, more cost effective and much quicker ways of helping people to excel at new, important and difficult activities and creating a more flexible organisation with an existing corporate culture.

Corporate supply chains and roles a company plays within them may need to be reviewed and revised or fundamentally changed in the light of Covid-19 experience. Both customers and suppliers may need help in adapting and adjusting. High returns on investment can be achieved by both reducing costs and increasing workgroup performance, while also lowering levels of stress and risk and benefitting people, the organisation and the environment. The environment can benefit when behaviours are changed by making customers more aware of the environmental consequences of different purchase options. As experience grows, bespoke, personalised and up-to-date support can help users to adopt superior approaches and what a community learns about CSFs in new arenas and contexts.

### Equipping and Enabling People to Cope and Transition

Boards need to ensure that people are equipped and enabled to cope

and transition. More directors might need to move away from the provision of top-down corporate direction in a business and market environment they felt they understood. Emphasis may need to be switched to inspiring, enthusing and encouraging pragmatic and responsible responses to emergency measures and rapid transition to the provision of new offerings and different ways of operating. Given the time that some restrictions on movement and interaction may exist, greater use could be made of the easily updated performance support tools which some companies employ to roll out innovations and enable people to do difficult jobs and stay current on transformational journeys as events unfold.

Performance support tools can help people to: operate in ways that meet social distancing and other Covid-19 related requirements; and to understand and adopt safer and less environmentally damaging options. Many organisations need to respond quickly to changing economic realities and any revision of purpose and priorities. Companies could start with a support framework in areas related to new objectives. Beneficial financial and environmental results using a bespoke and evolving approach can be obtained in timescales of six weeks to six months, and support can be made available 24/7 as, when and where required. The modest cost of performance and learning support tools can be affordable in tough times.

Transition support tools can operate independently of corporate structure, culture and technology. They can be personalised, incorporate learning and enable people to become more competent and confident with each use and remain current as requirements, priorities and offerings change. Experience suggests small groups of people can achieve more than larger ones that are less well supported. Retaining high performers and those with potential during a recession can be critical. Training budgets are often cut when the going gets hard. They often fail to create intellectual capital outputs or embrace wider value chains. Too often, general courses are provided rather than the specific support work groups require to be more effective and cope with fresh challenges. Support tools can suggest new approaches, bring others up to speed during recovery and ensure consistent changes across a supply chain.

### Supporting Agility and Virtual Operation

During a pandemic, companies need the agility to move quickly in and out of particular restrictions. Support tools can explain why certain measures are needed, reactions occur and situations arise. Users can also be alerted to both problems and opportunities. Integrating working and learning enables people to cope and learn as and when a tool is used, wherever they may be and at any time of the day or night. Users can also share their experiences and insights during transition and transformation journeys. Substantial savings in support and compliance costs can also be achieved. Traditional ways of avoiding risks can involve delays and higher costs. They can result in people focusing upon compliance rather than customers. Building checks and reviews into the support provided can speed up responses, address risks such as miss-selling, and enable people to deliver bespoke responses.

Directors need to ensure those operating from home and/or virtually can access the support they need. Because large improvements in performance can be achieved with better support, in some areas it may be possible to secure welcome savings in a recession. Performance support can enable less qualified staff working from home to undertake the work of more qualified and expensive colleagues who are unwell, laid off or unable to access their costly

offices. Having the ability to capture and share the essence of how complex jobs are done, and making it easier for ordinary people to excel at them, can speed up and reduce the cost of re-locating work, virtual operation and upscaling activities during an economic recovery.

Support tools can also be used directly by customers and citizens. They can empower and include them and help them to cope with complexity and change. They can enable more responsible choices that are consistent with progress towards more sustainable communities and lifestyles. Many decisions, difficult roles and important jobs are inherently stressful when undertaken in a traditional manner. High levels of stress can reduce performance, increase staff churn and levels of absence, slow progress towards a more sustainable future, and even lead to legal claims. By making it easier for people to do difficult jobs, directors can reduce stress at a time of insecurity and uncertainty. Better, practical and affordable support can lead to greater personal fulfilment for users as well as improved results for corporate employers.

### Confronting Challenges and Seizing Opportunities

The challenge for business and political leaders is to cope with Covid-19 while transitioning to less damaging patterns of business and consumer behaviour. There is a danger that desire for economic recovery will reduce incentives for the shutting down, writing off and disposal of plant that produces harmful emissions and limit compensation for leaving fossil fuels in the ground. Boards may be encouraged to increase output rather than slow and/or close down activities that contribute to global warming. Environmentally harmful operations should be stopped rather than increased. Responsible recovery would involve disposal of old plant and recycling items like end-of-life batteries and solar panels so that rare minerals can be reused.

Recession can be a time of great opportunity. During rapid economic growth, when shortages and bottlenecks appear, even indifferent companies may find their services are in demand. When the going gets hard more able and focused directors can distinguish themselves. In tough times, smart and responsible boards have an opportunity to build relationships, restore trust and secure first mover and/or lasting competitive advantage. The urgent need to tackle climate change as well as Covid-19 means that boards must move quickly. Those that act to transition to sustainable and carbon neutral operations, activities and business models deserve the support of responsible stakeholders and the gratitude of future generations.

Some fatalists may look the other way and accept whatever consequences of Covid-19 might emerge. Hopefully, most directors will respond more positively with corporate and collective actions and initiatives to reduce the extent of its negative impacts and help customers and other stakeholders to cope with it and recover from it. They should support responsible steps to deal with resulting corporate, national and international indebtedness and reinvigorate the global economy. They should encourage and enable CEOs and management teams to reboot and reinvent the enterprises for which they are responsible, and they should chart a pragmatic and inspiring course through the challenges and opportunities of a post-pandemic world.

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