



Board Leadership and Performance in a Crisis

Communicate Often, Elevate the Narrative,
and Don't Declare Victory Too Soon

Every industry across the globe has faced a crisis at some point in time. While most large companies survive, many struggle for years following a period of severe adversity. Others prevail and become stronger than before. How companies address crises has changed over time, as has the role of the board.

Amid COVID-19's rapid spread across the globe, boards are moving fast to oversee the deployment or refreshment of crisis management protocols. The pandemic's impact will be felt differently by every company, and boards will have to ramp up or dial back their responses depending on their unique circumstances.

That said, irrespective of industry, a crisis of this magnitude acts as a true pressure test for boards, uncovering new fault lines that directors must navigate. Much has been written about how boards should generally behave during a crisis, but few if any directors have experienced something as dire as a pandemic. COVID-19 will require both directors and management to have an open and flexible learning mindset. Directors especially will need to display courage, decisiveness, and a calming demeanor. In an ever-evolving crisis such as this one, they will need to be constantly pausing, assessing, anticipating, acting, and reassessing.

With this in mind, Russell Reynolds Associates wanted to move beyond the well-understood basics of crisis planning to gain insights from clients and colleagues with governance expertise who have successfully navigated prior crises. As the outbreak took hold, we spoke with almost twenty seasoned directors and active and retired CEOs to glean their lessons for boards on navigating the uncertainty and adapting to new challenges. This is what they recommend.

“ The story of the 1918 influenza virus is not simply one of havoc, death, and desolation, of a society fighting a war against nature superimposed on a war against another human society. It is also a story of science, of discovery, of how one thinks, and of how one changes the way one thinks, of how amidst near-utter chaos a few men sought the coolness of contemplation, the utter calm that precedes not philosophizing but grim, determined action. ”

- John M. Barry, *The Great Influenza*

ELEVATE COMMUNICATION AND ENGAGEMENT – WHILE MINIMIZING DISTRACTIONS

1 Establish Clear Communication Channels – and a Predictable Communication Cadence

A crisis response mandates frequent and transparent communications to all stakeholders. For boards in particular, the three most important communication channels are (1) between the CEO and the chairman, (2) between the CEO and the full board, and (3) between the chairman and the board. When done right, communication alleviates stress, serves as an outlet for new ideas, and enhances information flow without overburdening executive teams. Each needs a well thought out process and regular cadence. We recommend 1-3 update calls per week between the CEO and chairman; weekly, short written updates to the full board; and calls with the full board at the appropriate pacing which will vary by board and the type of crisis. The CEO should also openly share reports on key performance indicators with the board, without feeling the need to refine or add commentary so as not to generate extra work.

2 Curb – and Channel – Your Enthusiasm

Chairs need to manage and temper well-intentioned directors who are eager to assist management, as their involvement may overwhelm an already-crowded effort and bog down management teams with distracting requests. As one director put it, “it’s not helpful if too many helpful people are trying to be helpful.” Chairs in some cases may play the role of traffic cop, striking the right balance between keeping the board informed while also giving the management team clear guidance and room to operate.

3 Step Up, Don’t Overstep

Under normal circumstances, the line between governance and management is usually clearly defined and understood, but in a crisis, boards are challenged with toeing an ever-moving line. The board’s role should always be to support management in the right way, at the right time, without trying to manage the company. In key moments, the board may have to get more involved than normal, but most of the time the most impactful role it can play is to ask the right questions and to test management’s assumptions, while being careful to frame this challenge with appreciation for and encouragement of a hard pressed management team. Chairs who understand how to find the right balance between giving advice and asking questions, even when tensions are high, will lead a more effective board.



DON'T LOSE SIGHT OF THE LONG-TERM – OR INDULGE WISHFUL THINKING

4 Challenge the Optimism of Your Worst-Case Scenario

The board needs to push management to look at the true worst-case possibility. Optimism bias is real, and needs to be checked. Scenario planning by executives is often too rosy, based on the worst that has ever happened in the past, not the worst that could happen in the future. Management then needs to plan for those unprecedented scenarios and work backwards to more likely events. Complacency will stifle progress. It is important to maintain momentum throughout a recovery period that may linger far longer than expected, and which may involve new risks you didn't anticipate at the start.

5 Plan for Permanent Changes

Prepare to challenge management's thinking about how the crisis has fundamentally shifted business operations and which changes will permanently impact the company's strategic direction. Boards will need to grapple with how to adapt to a new environment and what these changes mean for legacy businesses and even cultural behavior that may have been long protected. Consider which aspects of the business should remain the same, which will briefly change, and which have been permanently disrupted – including consumer behaviors, public expectations, supply chains, and operating models. Boards should also ensure that management establishes mechanisms that capture enduring lessons from this crisis to help make the organization more robust going forward.

6 Elevate the Post-Recovery Narrative

While a crisis rightly drives an emphasis on solving urgent problems, it is equally critical for the board to maintain a forward-looking agenda and keep focused on the long term. The board is most impactful when serving as a thought-partner to management, reminding them of the importance of staying close to key customers and clients, and helping them think through what the business and customer franchise ought to be after the dust settles. History demonstrates that the most significant shifts in a sector's competitive rankings occur during moments of crisis and uncertainty, with winners differentiated by their ability to play offense and defense. Prioritize discussions that contribute to the company's recovery narrative, seize opportunities to better meet stakeholder needs, and remind executives that putting people before profit typically pays off in the end.

7 Challenge Premature Declarations of Victory

Even if it appears that the waters have calmed, the crisis is likely not over. It is important that neither directors nor executives get a false sense of security as soon as indicators start pointing in the right direction. There are often aftershocks to a crisis, key companies that fail to recover along with the rest of an industry, and customers who permanently change their behavior. Directors need to keep everyone focused on performance and outcomes long after others have declared victory.

DO NOT NEGLECT CULTURE, BEHAVIORS, AND LEADERSHIP

8 Live Your Values and Set the Tone

Boards will be defined by how well they set the tone for the organization during the crisis – and how well they model that tone themselves. Embodying aspirational values will inspire others and instill confidence in the company. Boards that act fast to reinforce a strong, compassionate, and positive culture with both internal and external stakeholders stand to benefit the most post-crisis. Additionally, it is important to remember that a board living the company's values will help set the tone for corporate culture. Employees, customers, and communities will make judgments based in part on how the board behaves.

9 Closely Manage – and Monitor – Board Culture and Behaviors

Crises and stress inevitably amplify behaviors for better and worse. Directors are tested in new ways, and their engagement with each other sets the tone for how effective the board will be. Importantly, Chairs in particular need to step up their efforts to ensure the board's culture and behaviors create the right atmosphere to guide and advise the management team. While they must manage their own tendencies, chairs should also pay attention to how other directors perform when times are tough. Who is demonstrating courage, poise, independence, and integrity? This moment will reveal the strength of the board's roster.

10 Take Note of What this Moment Reveals About Leadership Teams – and Succession Pipelines

During times of tremendous pressure, the board will see which executive leaders rise to meet new challenges and inspire confidence – and which do not. Take note of what this reveals about the management team and, as critically, what it says about the internal succession pipeline. Look at the experience that was missing from the team as well as the behaviors and leadership qualities that were or were not displayed. During a crisis, boards have a unique opportunity to sharpen their understanding of who their leaders truly are, and how they should adjust both short- and long-term succession plans.

11 Remember that the “Soft Stuff” Matters More in Hard Environments

Don't underestimate the power of saying thank you and asking specifically about how the leadership team, their partners and immediate families are holding up. Small words or gestures have a big impact with the management team that is working hard to protect and resurrect the business. Remember to express gratitude and celebrate small wins along the road to recovery. These actions will help reinvigorate a fatigued team, keep them energized for what's next, and move them to express similar concern for customers and colleagues.

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