

*It is good to be back, after a break caused by Covid-19 derived disruption in work. While hoping that our readers remain safe and healthy, we look at what Boards need to do in these challenging times.*

**Editor**

## Interference or Intervention?



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When the history of humankind is written, a few decades or even a century later, Covid-19 would be identified as the one unwelcome and unannounced visitor that took away innumerable lives, destroyed economies, and left the survivors to pick up the pieces. Centuries ago, Malthus, who was then identified as a prophet of doom, spoke of plague and pestilence being a death blow to lives and livelihoods. What we have witnessed, and continue to witness, seems to make the Malthusian pronouncement an understatement of the problem. This is by far the biggest series of stress tests in living memory, and anything that any Regulator might prescribe by way of stress tests would seem like a walk in the park.

As humans are struggling to keep the infection at bay, corporates are looking at the horrific present and a dismal future, with not much clarity on how to survive, leave alone prosper. Managements that are, at the best of times, grappling with the issue of how to legitimately present good numbers to expectant shareholders, are now struggling with another set of numbers such as vastly diminished, if not non-existent, revenues, a workforce that is rendered partially surplus, and yet has to be paid, a demand that has disappeared virtually overnight, and physical and mental issues that have become a fact of life. In this dismal scenario, while managements are contending with the here and now, and the tactical as opposed to the strategic, it is necessary to look at what Boards have done, could have done in the last few weeks, and should do in the next few weeks.

The traditional role of the Board of Directors is to constructively challenge management, so that the latter is enabled to perform at its best. These are abnormal times. Managements would expect Boards to handhold them as they fight for survival of the corporate entities that they are tasked to lead. The responses have been predictably many and varied.

There are Boards in which some, if not many, of the members feel inadequate, even in normal times, if they do not, in the guise of "superintendence", trespass into operational territory. Such Boards and such Directors have been seen to reach out to managements on a continuing basis, seeking information, including, but not limited to, forecasts and scenario planning, which are major challenges in the face of a rapidly changing situation. While managements attempt to cope with the ground level reality, some such Directors in the comfort of their homes, are attempting mathematical models that would enrich subsequent academic studies. This excessive interference, for which there can be no other name, severely compromises managements' bandwidth and diverts them from the pressing tasks on hand.

There are some other Boards which comprise members who, in the best of times, see themselves as visiting professors, indulging every whim of management, and striving for peaceful coexistence. For them, Covid-19 is a great opportunity to continue to stay disengaged. If pressed, the response is bound to be that they did not want to distract the attention of management in difficult times.

The legitimate role of the Board in such situations is between these two extremes. Board members and the Board as a collective, should not tread on the toes of the management, but should keep themselves informed of the developments in the economy, the sector and the company. Managements would legitimately expect Board members to pass on information that would be useful, without cloaking such information as directions from the Board to the management. While managements remain focussed on the tasks that confront them, well intentioned Board members would provide them with information from the larger economy on how complex issues are being addressed elsewhere, and what the possible scenarios are, when looking into the future. Differently stated, while managements will busy themselves with

tactical responses and interventions, the Board is expected to provide the strategic input so that in the post Covid-19 situation, companies do not wake up to a new world with no clarity on what to do or how to survive.

Work-from-home (WFH) has become the new normal. Corporates in India must be commended on the alacrity with which they shifted human resources and material resources to the homes of the workforce, and enabled them to work from there with near-normal efficiency and productivity. Post the WFH development, managements have identified the risks that emerge therefrom, including cyber security risks. The Board must handhold the management, as it addresses these issues because there are legal implications relating to privacy, data theft and the like, that must be confronted.

The limitations of the existing business continuity plans (BCP) might also have been exposed in a number of companies. Changes, refinements and even mid-course corrections should be thought of before disruption takes over and neutralises the "best laid plans".

Prospective litigation is another risk that haunts management. The inability to deliver on time, and the ambiguity whether Covid-19 can be treated as a force majeure event, has left managements confused on whether there could be litigation for non-delivery of products or non-completion of services, within the contracted timelines. Boards must work with managements to ensure that appropriate insurance policies, if they do not exist, are put in place, and that the best legal help is made available to the management in the event of litigative challenges. Concurrently, Boards should encourage managements to look at alternative dispute resolution (ADR), including pre-litigation mediation, as a possible response.

Difficult times are situations in which it is possible (using an unacceptable gender specific phrase) to tell the men apart from the boys. Challenging times throw up the best leaders. Identification of those that led, and continue to lead, from the front, and those that were, and continue to be, relatively disengaged, can and should happen in these times. However, the decisions on whom to keep and whom to let go should wait till the new normal kicks in. This is a sensitive area in which Boards must step up to the plate, and provide cover to the management so that at the appropriate time, the tough decisions can be taken in organisational interest.

Tough times call for changes in the way business is transacted, even in the most conservative and hierarchical organisations. Tough situations are opportunities for persons, not necessarily at the senior levels of the management, but having ideas and out of the box suggestions and solutions, to step up and appraise top management of the possible options and alternatives. Non-hierarchical flow of information must not only be acknowledged, but must be in some sense, encouraged. Boards should not get in the way of managements that promote free flow of information, without respecting normal reporting relationships. This is as good a time as any other to recognise the truth that knowledge and wisdom are never ex-officio.

Succession planning is an activity that most Boards and managements claim to have addressed satisfactorily. Yet, for understandable reasons, not enough attention might have been paid to the possibility that some critical members of the management and the workforce might be laid low, temporarily or, God forbid, by Covid-19. It is imperative therefore for Boards and managements to identify persons who can immediately step up to higher/ newer responsibilities, if any critical employee, is rendered dysfunctional.

One of the common casualties of the present situation has been the depletion of capital. It is imperative that capital raising efforts must get immediate and continuing attention so that the business is not deprived of its vital input.

It is universally recognised that cash is king and cash flow is emperor, especially in difficult times. At least as important as conservation of cash, is the need for continuing communication that is crisp and credible. It is a normal feature for the workforce in any beleaguered organisation, to struggle with their concerns on what the future holds for them. Part of the anxiety could stem from the inability to see a clear future for their organisation. This can be addressed only if the top management and the senior management communicate continuously with the workforce, with credible messages, that outline the efforts being made, and the importance of each member of the workforce, in dealing with the present and the future problems. These communications should reach both the minds and the hearts of the workforce, so that there is the confidence that persons in-charge of the affairs of the company also see themselves as persons in-charge of taking care of the prospects of their employees. These communications are most productive if they are in the nature of conversations, rather than top-down monologues. Every query or concern that emerges in these interactions must be addressed to the best of the management's ability. In this endeavour, Boards cannot remain passive onlookers. The frequency, content, and quality of the communications is a matter on which the Board can impart some wisdom to the management. At the very least, they can endorse, and be appreciative of, what management is communicating to the workforce. External stakeholders also need to get some comfort from the manner in which the management is addressing the Covid-19 derived problems. Appropriate communication with external stakeholders is also a matter that the managements, and if required, the Chair of the Board should get involved in. The best results are invariably obtained when the CEO and the Chair of the Board are on the same page in regard to what needs to be done and how it needs to be done.

This is also a situation in which innovation and out of the box thinking must be actively encouraged. Boldness and decisiveness should be seen as a virtue. While the time might not be right to execute major decisions such as shutting down some parts of the business or shrinking the workforce, the alternatives must be examined at this stage, so that when the challenges of the "here and now" are behind us, the tougher decisions already taken, can be implemented.

The CEO is at a lonely place. The expression “lonely at the top” has never been more true. Persons that have been through tough times while leading organisations, and are presently Board members, must actively empathise with the CEO and draw upon his/ her reserves of experience to assist the CEO, without being prescriptive. Should things work out, the tendency to say “I told you so”, must be firmly eschewed.

This is also a time to identify new business opportunities, and to prepare for getting into new areas of business, that might seem promising in the near future. The orthodoxy of structures, sanctified by the years, must be questioned and, if necessary, dismantled, so that new and vibrant organisations can write on a relatively clean slate, without the legacy of a troubled past.

“Perform or perish” has been the motto of businesses for all these years. Perseverance and professional commitment to the larger organisational cause, must not also be lost sight of. We must recognise that some companies will perish on account of this new crisis. When the autopsy is conducted, it should be said that managements tried hard enough, and that corporate grief was occasioned by the way the economy had redefined itself.

While existential issues occupy the mindspace of managements and Boards, it is also necessary for Boards to look inwards, and to see whether they are best equipped to lead the corporate entity into the unknown future. Plans for initiating changes to Board composition need not await better times.

To seek, to strive, to succeed and not to succumb is the best mantra for these troubled times.

Do let us know of any specific issues you would like to see addressed in subsequent issues.

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