

Conversations on Corporate Governance

Dialogue 1: Crisis Management—The Lessons Learnt



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Crisis management is a process of carefully identifying various threats and potential risks to an organisation from any event and creating an effective response system *a priori*, in order to minimize the ensuing damage. Experiences from the past crises as well as the ongoing COVID-19 crisis have emphasized the need for a proactive crisis management system for corporations to emerge as viable entities. The role of company boards assumes paramount importance towards steering the company safely through the crisis and at the same time maintaining the best governance standards and practices.

In this context, NSE jointly with Excellence Enablers, a corporate governance advisory firm, had recently organized a session on “Crisis Management—The Lessons Learnt”—the first dialogue in the Corporate Governance Webinar Series. The session involved conversations with a high-profile panel—Mr. M. Damodaran, Former SEBI Chairman and Founder of Excellence Enablers, Mr. Ashok Sinha, Former Chairman and Managing Director of BPCL and Mr. O. P. Bhatt, Former Chairman of State Bank of India—and learning from their decades of experience. The panellists shared some of their encounters and responses to organizational crises situations during their leadership positions and lessons they have learnt along the way. Key highlights from the deliberations follow.

- **What is an institutional crisis?:** An institutional or organisation crisis often emanate from events which result in the failure of the usual coping mechanisms that the institution has in place including risk management, standard operating procedures (SOPs) and business continuity plans (BCP). It can potentially lead to three problems: a) public safety, b) financial loss and c) reputational loss. The failure of a leader to act on these problems can result in a serious harm to the stakeholders and threaten the organisation’s existence.
- **Crisis management—A choice between confusion and conscience:** A crisis forces changes, requires leaders to take charge of the situation, think on their feet, muster and utilise all the resources at disposal and make tough decisions in a short span of time sans adequate information. Decision making in a crisis therefore requires a leader to make a choice between confusion and conscience. Weighing the available options and directions keeping the inherent values and overarching purpose/vision of the organisation in mind would help the leader make the right decisions despite limited availability of information. It should be done in a credible fashion with utmost clarity and conviction. This would bring in confidence and hope in the people and align them with their leaders to work towards the shared objective.
- **Effective communication is of paramount importance:** During events of crisis, a person normally gets into a shell and doesn’t communicate. A completely clear and transparent communication with all internal and external stakeholders holds the utmost importance in dealing with any crisis. The leader should be ready to take it on his/her chin if there are difficult questions asked and should identify messengers who would help in transmitting the right message to the organisation on a real time basis. Holding back leads to bigger problems later. Apart from crisis situations, a persistent, serious, valuable, clear and sensible communication through multi-media channels is also important to bring about a cultural/sociological change in the organisation.
- **Trust matters:** The people who have run the organisation for several years are better equipped to deal with a crisis than an external party or consultant. Putting trust and confidence in them is therefore extremely important to tide over a crisis or a disruption.

Please click [here](#) to listen to the recording of the webinar.

- **Decision making in a crisis is not winning a popularity and/or perfection contest:** The leader should not make decisions to gain popularity but should do what is right for the organisation. There is bound to be resistance and disagreement/discontent on the way. However, discontent that doesn't emerge from vested interest can be addressed through effective and clear communication. That said, it is good to have devil's advocate around oneself as it is a good sounding board before the decision gets communicated to the rest of the world. Additionally, there would be decisions that would not go right, but leaders should be ready to lose a few battles on the way to winning a war. There are learnings from every battle and perceived failures that make a leader ready for the bigger struggles.
- **Crisis management goes beyond hierarchy:** A crisis can only be managed effectively by bringing the right people together to the task without getting into hierarchy and empowering them to use their own judgements to deal with the situation. The belief that it is the organisation's hierarchy that sustains it is a fallacy.
- **Situation-neutral preparedness to a crisis is limited:** Crisis, by definition, is an unanticipated event and therefore one can never be fully prepared for this eventuality. Moreover, every crisis is different and therefore the scope of situation-neutral preparedness is limited. One can only have a broad framework and SOP/BCP in place so that critical decisions and actions can be taken quickly in response to crisis situations. That said, having contextual intelligence is important to make an organisation ready to face any potential future crisis. On a broader note, building an organisation that is perpetually crisis-free happens over a long period and requires a shared understanding, vision and culture not just at the management level but across the organisation.

We have now entered an era of continuing crisis, and the digital transformation that the current COVID-19 pandemic has forced upon organisations has given rise to cyber security threats. A continuous vigilance of these potential threats is extremely important. Lastly, in the current social media-dominated world that we all live in, the court of public opinion can destroy the organisation much more quickly than the court of law. A prompt and effective response to a crisis, therefore, is crucial to preventing any reputational loss.

- **Silver lining to a crisis:** While a crisis is not the best time to transform, it does give rise to opportunities— cliché but eternally true. It is only in the worst of times that an individual discovers the best about herself. Crisis often leads to the making of great leaders. It helps leaders to introspect and reflect upon themselves, build systems and processes that are situation-neutral, and revisit and strengthen the moral values that the company's vision is laid upon.

Key speakers

Welcome address:

Mr. Vikram Limaye, MD & CEO, NSE

Introductory remarks and moderation:

Dr. Tirthankar Patnaik, Chief Economist, NSE

Panel discussion:



Ashok Sinha

Former CMD, BPCL and Member, NSE Centre for Excellence in Corporate Governance

Mr. Ashok Sinha served as Chairman and Managing Director of Bharat Petroleum Corporation Limited (BPCL) and is reckoned as the force behind turning the company into a global exploration company. During his tenure as CMD, the company ventured outside India and bought assets overseas. He introduced several initiatives in BPCL, including in the areas of succession planning, supply chain management and generation

of progressive ideas. In 33 years with BPCL, he held several key positions including Director of Finance. He is a recipient of several awards and accolades.



O. P. Bhatt

Former Chairman, State Bank of India

Mr. O. P. Bhatt served as Chairman of State Bank Group, which includes State Bank of India (SBI), seven associate banks in India, five overseas banks, and nine financial services companies such as SBI Life, SBI Capital Markets and SBI Fund Management. During his time, SBI rose on the global list rankings of Fortune 500. He also served as Chairman of Indian Banks' Association (IBA) and Managing Director of State Bank of Travancore. He served as India's government nominee on India-US CEO Forum, Indo-

French CEO Forum and Indo-Russia CEO Forum, forging links with a cross section of the world's business leaders. He is a recipient of several awards and accolades.



M. Damodaran

Chairperson, Excellence Enablers and Former Chairman, SEBI, UTI and IDBI

Mr. M. Damodaran is Chairperson, Excellence Enablers Private Limited and Former Chairman of SEBI, UTI and IDBI. He serves on Boards of Directors, including as Non-Executive Chairperson of InterGlobe Aviation, and on Advisory Boards of several companies. He successfully led the revival efforts of UTI and IDBI. He created the unique Stressed Assets Stabilisation Fund (SASF) which helped clean IDBI's books. He was also the Former elected Chairman of the International Organization of Securities Commissions (IOSCO)'s 80-member Emerging Markets Committee for two years. He has chaired several committees of the Government of India, RBI and some chambers of commerce. He was Former Chief Secretary of the Government of Tripura. He is a

recipient of several awards and recognitions.

About Excellence Enablers Private Limited (EEPL)

Excellence Enablers Private Limited (EEPL) is an initiative that focuses on implementation of better corporate governance practices, improvement of Board performance, including audit and evaluation, training of directors and engagement with stakeholders of governance. It is founded on the firm belief that the gap between performance and potential can, and must, be bridged. Consistent with that belief, all our offerings are tailor-made to the specific needs of the organization or the individuals concerned.

Given that our founder, Mr. M. Damodaran, introduced Clause 49 of the Listing Agreement, dealing with corporate governance in India, and has been a part of both public sector and private sector Boards, as well as performing and underperforming Boards, we offer experience based consultancy and courses on the journey from compliance through governance to performance. Further, given his success in turning around organizations that had been written off, we are uniquely positioned to offer courses on leadership, organizational transformation, and building winning teams.

EEPL has a number of highly experienced and renowned consultants and faculty members who have helped, and continue to help, us deliver programmes that have been well received.

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