5 key considerations for boards of directors during the Covid-19 pandemic

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The Covid-19 pandemic has changed how we do most things, including the conduct of business.

While some sectors have witnessed more significant impact than others, there are common considerations that all boards of directors' must-have during these times. These are necessary considerations for the survival of any company post-crisis.

As we may have all noted, most people at the moment are at crossroads, unable to make bold decisions for fear of the unknown. But as we know, it is also during times like these that new ideas and industry titans are born. Is your company one of those that will weather the storm?

Here are five key considerations that every board must keep at the forefront of their collective mind during this pandemic.

1. Sense of leadership

The board should aspire to influence calm even through turbulent periods like the present one.

A calm, confident board is a source of support to all the company stakeholders. It helps everyone stay focused on their respective job and avoid being distracted by anxiety.

Calm and composed boards also set the tone for the rest of the organisation and keep jittery investors from panic. Such corporate directors act as sounding boards, offering a listening ear and support to senior executives and CEOs.

By having a pronounced leadership presence, your Board will also be in a position to keep an eye on activist investors who may take this opportunity to advance a disruptive agenda.

It is not uncommon for people to seize a moment of uncertainty to propose or push for dubious, self-interested and risky ventures.

Activist investors are particularly prone to such antics, and boards should be at their most vigilant.

2. Staff welfare

Consider what adjustments you will need to make concerning employee welfare.

That includes issues like your healthcare plan. Should it be extended to accommodate Covid-19 infections and vaccines?

Make sure that your employees fully understand what the company will cater for and what it will not.

Some corporations have been dealing with these issues haphazardly, leading to plenty of confusion and misunderstandings between management and affected employees.

These kinds of issues can lead to low morale among workers, which is unsuitable for business.

When dealing with employee welfare, have a comprehensive policy detailing the sick leave and the ways of working that will impact the safety and wellbeing of your workers during the pandemic.

Also, be willing to consider a permanent change to remote working for those workers for whom a physical presence in the workplace is not essential every day. While the economic headwinds have been challenging for some organisations, laying off your staff, some of whom you have painstakingly taken years to train, should come as a last resort.

If theirs is a job they can do remotely, make accommodation for that.

More information on how you can improve your employee welfare, performance, and the outcome is available from corporate governance experts.

3. Open communication

The pandemic has resulted in lockdowns in some countries and attendant social distancing rules.

Consequently, most sectors have had to consider remote working and heavier reliance on virtual communication.

Communication hurdles may arise, particularly among workers who are unaccustomed to remote work arrangements.

To avoid a communication breakdown, the boards must ensure that measures are put in place to facilitate easier communication.

Applicable measures here may include investment in technology, particularly IT and updating policies and ways of working to reflect the change in nature of work which has been catalysed by the pandemic.

The pandemic has prompted directors and senior executives to rethink their schedules, the need to travel and the risks of travel. While virtual meetings save travel time and costs they are not always a substitute for physically being in the same room as a colleague, customer or competitor.

That is just an example of the creative ways some progressive board members continue to handle the pandemic's challenges.

4. Assess your exposure

As with any situation whose outcome is uncertain, Covid-19 has left us financially vulnerable.

Thus, boards must evaluate their company's exposure in light of the unanticipated disruption of business.

One of the areas in which assessment is needed is in value chains both in supply and distribution. The global impact of the pandemic has called into question every step of the supply and distribution value chains. Logistic delays that have impacted international transport causing shortages of key components and log jams have demanded better planning, a rethink of the “just in time” mentality and reassessment of value chain risk in supply and distribution.

The pandemic has prompted boards of directors and senior executives to rethink risk and to move to an approach which understands system based rather than single point risk- for example the challenges of container supply that hit South Korean businesses in the first quarter of 2020 had ramifications for Korean exports and component supplies but were a complex mix of the impact of Covid on truck drivers, Chinese new year, restrictions on movements in and out of ports and inadequate stocks of components - truly an example of systematic risk that demands rethinking our approach to risk in corporations.

Also, they should ensure that their crisis management teams and plans are up to the task and effectively manage crises at a time when the corporation may be under additional, unexpected pressures.

Another aspect of the company that needs conscious consideration by the Board is cybersecurity, especially in light of the virtual working arrangements we mentioned earlier.

In this regard, boards must deliberate on how the company can ensure the privacy and security of company information even as workers operate remotely.

Using reliable virtual private networks (VPNs) is one way to secure your company communications from interception by malicious third parties.

Proper data management systems will also help mitigate against the risk of insider trading, particularly in companies whose business relates directly to provision of Covid-19 solutions. However, experience teaches us that no board or company is immune from the efforts of a malicious, dedicated actor that wants to cause harm. Our human factors – training our staff to be cyber risk aware and making sure that the behaviour of our team enhances rather than weakens cyber protection are invaluable essentials to enable any technology-based solution.

5. Forecasting

While most of the concerns relate to the company's present circumstances, directors must pivot their thinking to how the corporation will move from survival to thriving post-crisis.

The pandemic has created winners (e.g. PPE suppliers, in home entertainment), losers (e.g. cruise lines, international travel) and dodos (e.g. the double-decker 500+ seat Airbus 380).

Big issues for directors will be how they deal with an uncertain and changing business environment post-Covid, how they deal with shareholder and tax payer expectations about dividends and executive remuneration when companies have had significant taxpayer funding to ensure their survival, finally boards will need to think about the environmental, social and financial sustainability of their business in a different world post-Covid.

With interest rates at historic lows and equity market hitting peaks, boards may take the opportunity to rethink the capital structure of their business to ensure that it is well equipped to deal with future shocks or to grasp new opportunities.

That will avail the company a more generous recovery period within which to bounce back from the crisis.

The board can also bolster its plans for the future by keeping an eye on the mergers and acquisitions (M&As) within their sector. That will aid them in making projections for the future.

More information on how you can go about planning your company's future is available here.