

For Boards – In Challenging Times

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This is a complicated and tricky time for Boards. They need to tread carefully to enable and allow Management Teams to take decisions and work, and yet perhaps there has never been a more critical time for Boards to play a constructive role that could serve the interests of all. To do this, Boards need to be reflective, self-aware, collaborative and guided by knowledge and data. For a group of people who come together a few times a year, and who are a mix of non-executive and executive, this is a tall order.

What compounds this is that Boards in India are diverse in terms of their role, commitment and agendas. They range from statutory boards (those that stay mostly with the compliance agenda), the trusteeship boards (where the Boards in addition to fulfilling the mandated role play a significant role in protecting the interests of shareholders / stakeholders; often times such Boards could be fairly directive of Management and call the shots) and partnership boards (where the management and Board views each other as equals and work to further the longer term business success and sustainability in addition to the other roles).

The role and nature of the Boards evolves based on many factors including the role and strength of management / investors / promoters, the affinity and commitment to good governance, the stage of growth of the industry and company etc. It therefore becomes very difficult to recommend or advocate a uniform course of action across Boards. In reality, while Boards assess and judge Management and the business, there is little (as a process or tools) that helps Boards understand the impact and consequences of their role and the path they are taking, especially in these unprecedented times. It therefore falls upon the Boards to chart their own course and role. This note covers some suggestions for Boards to think about as they do so.

There are 3 sections in this note, and each section has suggestions and questions that Boards can use.

- The Role that Boards can play
- Plotting the Future Course
- People Factors

Each section also covers questions that Boards can ask of themselves and the Management.

The Role that Boards can Play

Recalibrate your Role: Boards are typically put together through a process of careful consideration of background, experiences, and stage of growth of the company, amongst others. Therefore, irrespective of the role that the Board has chosen to play till date, it has tremendous potential to be the kind of Board that the Management and stakeholders need during these times.

The brief under which Board members were brought in has changed for most Boards. In the absence of the stakeholders spelling it out, they need to assess and re-calibrate the role they should play. A discussion to flesh this out, if not already done, may be a good idea. This will help bring clarity to the new role / expectations and also ensure alignment between members.

What it will take to get there, is for the Board to take the time to assess if it understands and hears the voices of all the stakeholders, take stock of their own competencies and what is missing, and also spend some time asking the Management what they need.

Boards may also need to bring a more pragmatic view to the table, and not get theoretical, over optimistic or extremely demanding in these times. This will only distract Management and take away resources and time from the important work at hand.

A more useful engagement for the Board at this time may be to look at the big shifts, for e.g. - decode the slew of fiscal stimuli being announced by the government, encourage the company to find ways to leverage it and where possible collaborate with government or industry bodies amongst others.

Be Available: This is the time to be available to meet as a Board, smaller groups or even as an individual. Board members (and not just the Chairperson and the CEO) need to take the initiative to share and help the Chairperson, other Board members and Management understand what they can contribute and how they can work together. It is important to keep the communication lines open. Being empathetic is important, as is not reducing the Board's expectations and driving what is best for the organisation. Boards must discuss and identify simple and pragmatic ways to be updated and be available for such updates in a manner that assists

Management (a simple set of metrics to understand the ground realities at an agreed frequency with Management)

Be Agile: Over the next few weeks and in the months ahead, different situations internally and externally will call for individuals on the Board to adjust and moderate their involvement and time. This means that members will have to be open to suggestions from others and will also need to prompt, speak up and suggest roles, structure and agendas for intra-board work, as well as individual / small group work with the management.

Questions for the Board to ask of themselves:

- How often have we met and what has been the agenda of these meetings since the crisis started – what does that indicate about us and our role?
- What is the role that we need to play – taking into consideration the needs of the company, management and stakeholders? Who can and cannot commit, based on the above?
- To what extent has each of us reached out to the Board and Management? What can each of us contribute and help with (for the Board and the Management) over the next few months?

- What are areas that we as a Board need help on? Do we need external support or advice?
- Have we got all the stakeholder voices on the table? And if we are missing some, how can we ensure that they are heard?

Questions to ask the Management:

- What can we help you with? What areas do you need help with?
- How are you feeling as a team and individuals? How are you getting support, resources?
- What are the unsaid fears, apprehensions and radical ideas we are not talking about (ideally asked in a 1-1 conversation)?

Plotting the Future Course

Every organisation is staring at a different future based on their financial health, the impact on their industry and the economic / political environment. There is uncertainty around the future and variables are constantly changing. For some businesses, the future looks tentative as they may have reserves that they can rely on to boost their recovery, for some it signals multiple growth opportunities, and for some it looks like the beginning of the end. How can Boards help based on where the company is along this continuum?

Having the Courage to do what is Best: We start with those staring at a precipice or at one end of the continuum.

Companies may be at the precipice because their industry has a bleak future, their financial health is shaky, customer behaviour is changing dramatically or a combination of other factors.

The human spirit is indefatigable. It is very difficult for a CEO / management team / promoter or entrepreneur to explore or voice the thought that their company is at a dead end. There is a point in every critical ailment for a human being where the

time comes to examine if one should resuscitate the individual or not (the DNR as we know it). There is a similar point for businesses as well. Boards need to have the courage and help Management / Promoters and others to ask this very difficult question – is it in the interest of all our stakeholders to continue to persist in running this business? What is the point or situation at which we become a DNR company? Will answering this question help us find new paths and businesses we can migrate to? Will it help us serve the larger interests of all? Is it better for the Board and Management to consider this decision now rather than a few months/years later? Can we afford to push this out? If we were to do this, how would we do it – exploring this question really helps to understand if this is the right thing to do.

Most Boards and certainly individuals may balk at even having to examine this course of action. It takes courage to recognise when the end is near and great wisdom to embrace it gracefully. That is the path to alleviate pain and suffering that many are staring at.

Get Aggressive about Growth and Shifts: For some, the nature of the industry they are in, the financial health of the business or the ability of the business model to morph into an attractive

adjacency or different business may offer numerous possibilities. An uncertain business environment breeds caution and Management or Boards may choose to tread softly to pursue these opportunities. Boards could help by investing the time and resources to nudge management to take on these new opportunities, evaluate risks and help them pursue a bold / new charter for growth. What makes it tricky is the number of uncertain variables and how often they change hues. Boards (and Management) would be served well to rely on the collective intellectual capital and experience of members and also accept that some decision making during this period will often be “gut” driven in combination with experience, maturity and risk appetite. This needs to be balanced with the self-awareness that people who are a degree or two removed from the ground (e.g. Board, consultants) are less likely to have the right take, despite their experience and expertise. Those closest to it are better placed. Boards should test if there is proper information flow from the frontline and Management is taking decisions based on that. Live data (quali and quant) coming through those channels is most valuable at this point and will continue to be until things settle down.

Boards must encourage and support the tireless striving of the Management as they navigate these unknown paths. Success may not be easy, or early, but with the right support and commitment it may be feasible.

Some questions for the Boards to ask:

- What are changes we can make in our business model that could change the game for us?
- What is our appetite for change and risk at this point in time, and how can we change that?
- What are metrics and data (about our customer, employees, suppliers and partners, raw materials, technology) we need to understand to assess the possibilities ahead?
- What help does the Management need to do this? How can we solve for the biggest challenges that we may face on this path?
- What will be the milestones we want to get to?
- What do we need to preserve or ensure (performance, cash flows, limits for investments etc) to pursue this path? How and where can we find the capital, resources, stakeholder support to make this happen?

The Board's inputs can help Management structure this journey – the team that may be right to work on the future may not be the team that keeps the business stable or performing. In mid-sized companies one may not have the luxury of having disparate teams and here the Board should think about how they can help craft agendas and workstreams that are pursued in parallel.

Between recognising the end and getting aggressive about growth, there are many points along the continuum. Whatever the point may be, Boards need to rely on Management to explore these choices and validate them in the best possible manner. The data and ground reality are owned by the Management (it is dangerous ground when Boards or members try to predict or force their choices in this situation). Getting management to elucidate their choices and achieve clarity around possibilities is a key role that Boards can play.

People Factors

Board Members as Coaches: In the past few weeks, coaches have been helping executives across the world to understand how they can be more resilient to cope with the tumultuous changes in business and personal lives and more. Leaders at the helm of an organisation need support and many may need this to push the boundaries of how they think, act, and make decisions. Time is short and action is needed. In smaller and mid-sized organisations or companies with investor (read as PE / VC led) boards, it may work well for relevant Board members to take on the role of coaches for key leaders. This may work better than an external coach for this period due to the deep business and situational context that the individual holds. It is also imperative that the individual is able to see themselves as wearing the hats of a coach and Board member.

Observations on Talent for decision making:

This period provides rich and useful observations on capabilities and mindsets of CEOs, members of the Management team and leaders across the organisation, and the Board members too. Board members must observe and record the kind of roles, skills and mindsets displayed by Management. These

observations can serve well as inputs to assess the feasibility of the different plans or choices being pursued. Any great idea or strategy will not work unless the question is asked – do we have the right talent and capabilities to execute and make a success of this?

These observations will also help the Board assess and answer the question - what help does Management need and where are the gaps in capabilities?

What Boards must not do is to use these observations to make decisions around moving people out. This is the time to increase stability and strength of Management – and to find ways to do this.

Some questions that Boards can use to make observations about CEOs, CFOs and those in key roles:

- What are the abilities that ABC has demonstrated during this crisis? What have they done well? What have they not been able to do well?
- How has ABC made decisions? What has been their comfort level with uncertainty, stress and flux?

- How effectively have they been able to manage different stakeholders (especially their team) and their expectations?
- What support does ABC need to navigate these times?

Management Focus on Future Capabilities and Jobs: While the conversation around business and its future, risks and performance continues, Boards must also encourage Management to look at the future of jobs and capabilities based on the plans they undertake. For business to survive / thrive new capabilities may be needed, existing jobs may need to be redesigned, ways of working will change and some jobs may need to stop doing much of what they do today. This calls for a huge HR and design exercise. The work is enormous and the phases from design to execution (which will include communication, training, assessments, new work processes) will have to run in a remote-working environment.

In some organisations hiring may be a critical success factor to bring on new /additional capabilities to pursue the new opportunities or change course of the business. Boards must encourage, evaluate and support such steps.

Overall, Boards must observe the extent to which the rubric of how people work is changing in their company and help the Management to take steps in that direction. As they do this, they must encourage a reliance on what exists but perhaps refocus priorities in a planned and patient manner.

This article is the outcome of contemplations and conversations between BS Dhillon, Mona Kachhwaha and Vandana Viswanathan. They have all served / continue to serve on Boards and have an interest in how Boards can play an enabling role for all stakeholders in these times.

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