

# Board leadership through 2020

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**Kia kaha, kia māia, kia manawanui – be strong, be brave, be steadfast**

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All areas of governance have been impacted by the coronavirus pandemic. This will be the biggest test faced by many boards and directors. As stewards of organisations, boards have a critical leadership role and their actions now will be remembered by stakeholders well into the future. In these extraordinary times, we're seeing boards adapt and operate in new ways as they carry out their responsibilities and provide leadership. In this article we highlight some considerations and questions for boards through 2020.

## **Courageous leadership**

The need for courageous, committed, resilient and responsible board leadership is heightened in times of crisis, recovery and rebuilding.

- How is your board promoting and living organisational values and modelling expected behaviours?
- Are you making sure that as a board you are checking in on each other and also your management team to build your collective resilience?
- How are board members dealing with the increasing time commitment required of them during this period? Does the chair (or do committee chairs) need extra support? For example, can board members share the load and take the lead on certain items on the agenda?
- How is your board staying up to date on the changing environment and upskilling where necessary?
- How healthy is your board culture and how could it be improved?
- How is your board protecting the organisation's brand and reputation? Are there opportunities to build trust and confidence including with staff and customers?

## **Working with management**

With different working arrangements and heightened pressure, some boards have changed how they're working with management.

- How is your board empowering management to do its job?
- How are you supporting the CEO?
- Is your board and management working effectively as a team? Are their interactions productive and constructive?
- Are your board's expectations clear and reasonable at this time?
- How is your board supporting management in the eyes of stakeholders?

## **Succession planning**

Boards are responsible for regularly considering succession planning for the board and the CEO. Before lockdown, some boards made emergency succession plans for key personnel in light of the health risks of COVID-19. These may now need to be revised.

- Has your board recently considered its succession plans (temporary or permanent) for the chair, committee chairs and board members?

- Is there an ability and need to co-opt board members to supplement existing skills and experience?
- Are some board members (eg with multiple boards) overcommitted?
- Is there a CEO succession plan in place, including identifying an emergency CEO if needed? And is there internal cover for other senior managers?
- How are health risks with key teams, leaders and personnel being managed?

### Stakeholder communication and engagement

Communication is critical in a crisis and the board has a key role even where management is leading the operational response.

- Is your board ensuring that stakeholders and shareholders have sufficient information about the organisation?
- How is your board visible and accessible to staff and stakeholders? For example, are there opportunities to have a presence in stakeholder communications or attend significant staff meetings?
- What can your board do to support more effective communications and relationships with stakeholders?

### Balancing short-term and long-term considerations

Crisis management may be the sole focus of many organisations. The board's role at this time includes stress-testing recovery plans and ensuring risks are appropriately managed. It is also crucial to keep an eye on the big picture and the long term sustainability – to monitor strategic risks and opportunities.

- Is your board ensuring management decisions are in line with the organisation's purpose, strategy, culture and values? How are key risks being managed including in relation to brand and reputation?
- How is your board providing constructive challenge and independence?
- What steps is your board taking to understand what the new world may look like?
- What opportunities are there to be competitive and sustainable in the long term? For example, with M&A, technology, innovation, human capital management and the supply chain.

### Board meetings and information

Many boards have already adjusted their meeting practices. Virtual meetings have become the norm and they could be a permanent fixture for some organisations going forward.

- How could your board and committees meet more effectively now and in the future?
- Are board papers (and other information from management) sufficient for the board to carry out its role at this time including in relation to risk management? How could they be improved?
- Does all board member correspondence comply with organisational policy to guard against cybersecurity and litigation risk?
- Have all meetings been appropriately recorded including to demonstrate that the board has exercised active stewardship and performed its oversight and monitoring functions?
- How is your full board being kept up to date where board members can't attend all meetings (to reduce asymmetric information among members)?
- Could your board utilise external expertise (eg health and safety, HR, crisis management or turnaround advice)?



## Legal responsibilities and liability

Directors can have extensive legal duties and liabilities depending on the operations of the company. These duties still need to be carried out except to the extent there is interim regulatory relief.

- How can you demonstrate that you are acting in good faith, in the best interests of the company and exercising reasonable care, skill and diligence?
- What steps will your board need to take for board members to rely on the interim safe harbour provisions for insolvency-related directors' duties under the Companies Act?
- How can you demonstrate that you are meeting officer due diligence obligations under the Health and Safety At Work Act 2015?
- What other critical obligations does your organisation have at this time including under employment, tax, privacy and contract law?
- How will external reporting and your board's engagement with auditors be impacted and managed this year?
- What steps are you taking to understand the financial information and the processes behind the preparation of such information as part of your board's collective financial reporting responsibilities?
- Has your board reviewed its D&O insurance with your organisation's broker or advisors in light of the pandemic?

## Other board matters

As the year progresses, boards may continue to consider their effectiveness and the need to change some practices and processes.

- Is your board revisiting and revising its annual work plan to prioritise urgent matters?
- Is your board prepared for virtual on-boarding of board members including due diligence and induction?
- How will your board continue to ensure individual board member performance, improvement and accountability?
- Is your board prepared to host a hybrid (physical and virtual) annual meeting?
- How else can technology and innovation help your board work more effectively and efficiently?

Board leadership and effective governance are critical to help guide organisations through the pandemic, recovery and rebuild. All board members have a crucial role to play. Pause and ask: "In the future, looking back at this time, what will you be most proud of as a board member and leader?"

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## Further resources

- COVID-19 governance hub
- Solvency test checklist for directors
- Virtual board meetings during COVID-19 – and beyond
- Director wellbeing and resilience during COVID-19
- Always on duty – the future board

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