



Non-executive directors in times of crisis

What has changed – and why Boards need to adapt

by Felix B. Waldeier

Since the beginning of the year, the global pandemic caused by the Coronavirus has kept the world on tenterhooks. The outcome is currently still uncertain, the prognosis of the “New Normal” is difficult to make, and yet it is already possible to make a firm statement: the impact of the pandemic on the global economy has been of historic proportions. In many sectors, businesses were severely affected: restrictions (or even temporary shutdown) of production, instability in supply chains, major changes in demand (both positive and negative) and, last but not least, millions of workers forced to work from home overnight. Some companies are coping better with these challenges than others. Most are suffering severely from the crisis, while others are producing at the limits of their capacity and reporting record sales.

However, the pandemic not only affects operational business, but also the work of supervisory bodies (“Boards”). This applies both to short-term adjustments in ways of working as well as to long-term fundamental decision-making. In the following, we would like to present some observations and recommendations as to how the work in, and the composition of, Boards – both in Corona times but even beyond that – needs to be questioned, adapted and redesigned in order to ensure professionalism, efficiency and added value.

In our discussions with various Board members, they explained that most Boards were not prepared for the new challenges. This became visible in three ways:

Type of exchange: Since the outbreak of the pandemic, most committees have been foregoing personal meetings. At the same time, however, it became apparent that the technological infrastructure necessary for virtual meetings was often not available – and that in addition, many Board members were insufficiently familiar with the use of new technologies. Many interlocutors reported that the quality of the exchange would suffer greatly as a result – not only because of



technological aspects, but also because informal discussions on the fringes no longer take place since all members are continuously sitting together in one virtual space.

Regularity of exchange: Many interlocutors indicated that a more intensive exchange was necessary to respond to the much faster and more unpredictable developments, and to adapt the course of action. Quarterly meetings, as has been common practice in many companies to-date, are not sufficient in these times.

Contents of exchange: The effects of the Corona crisis impact many companies in their entirety and pose substantial challenges for all corporate functions. In the past, many Boards had clear “focal points” which played a central role in their discussions. Now, much more breadth is required – on the one hand, because management is demanding the corresponding input and advice more than ever; on the other hand, because topics that had been “running smoothly” for many years, and thus rarely or never found their way onto the agenda, are suddenly a priority. However, this breadth of exchange is limited in many Boards due to a sub-optimal composition or lack of core competencies.

Numerous companies and their Boards have reacted quickly to these challenges – and gained valuable insights during the process. For example, face-to-face meetings can be replaced by video conferencing – although this is not a foregone conclusion. The new format requires a coordinated discussion and a suitable agenda to involve members, trigger input and ensure added value. Some Boards have learned from their first video conferencing sessions and have changed the formal structure (more frequent but shorter meetings; less “run-through” agenda) to allow for a greater degree of agility. At the same time, some interlocutors told us that Board work had become much more efficient. The high level of responsibility and the need to make critical decisions quickly seem to have substantially improved cooperation. In other words: You get to the point much faster because you have less time to lose. With regard to the contents of the exchange, many Board members have realised how important a high degree of diversity is in order to reach the best conclusions on the basis of different backgrounds and complementary perspectives. And at the same time, it is not enough just to have this diversity “on board” – the relevant skills and knowledge must also be utilised. Members who may have played only a subordinate role in the past, under a strong chairperson, can become very important in the current phase.

But what happens next? Needless to say, we are currently in an exceptional situation. But even if “Corona is over at some point”, we should not forget that similar incidents can occur again – whether caused by a virus or another trigger. We increasingly live in a “VUCA world” (volatility, uncertainty, complexity, ambiguity). It is therefore all the more important, also with regard to Boards, to use the crisis as an opportunity (“never waste a good crisis”). Adjustments can now be made to ensure a higher level of value creation and professionalism even after the crisis has abated. A couple of ideas and suggestions in this context:

Adjust the type of exchange: We are convinced that new types of exchange in Boards (more frequent, virtual, agile) will also remain important “after Corona”. Accordingly, various digital technologies and solutions should be used to make the Board fit for the future. This goes far beyond the use of video conferencing and can involve digital file management, voting, lateral exchange,



communication with stakeholders outside the Board etc. The format of personal and virtual meetings should also be reconsidered. Some of our interlocutors reported how refreshing it was that the agenda of their virtual meetings was much less formal, that there were no more endless PowerPoint presentations, and that you get to the point and to decisions much faster. Of course, this can only work if it is also ensured in advance that all participants have access to all important information and can prepare themselves with sufficient advance notice. However, many Board members have also noticed that the virtual exchange is much more “strenuous” than the personal one – we therefore recommend several shorter sessions instead of one long session, as well as sufficient breaks in-between.

Check critical competencies: The crisis in particular reveals which critical competencies (functional, entrepreneurial, methodological, human) are crucial – and whether these are sufficiently available on Board level. Professionally conducted, a Board Review can clearly identify the existing competencies as well as any gaps, and provide an assessment of whether all requirements (for example, with regard to industry, market, function, innovation, internationality, digitisation) are covered. It can also show how cooperation can be improved and made even more efficient in the future. The approach should be bold, but also deliberate and with a long-term orientation. For example, there is little to be gained by quickly and thoughtlessly bringing a “young digital expert” on Board and otherwise leaving the rest of the Board as it is. The risk that the “newcomer” will become an outsider and that the existing members will continue to work in familiar patterns is simply too great.

Check the cast: In addition to the competencies, the Board composition itself should also be reviewed. The keyword “diversity” combines many dimensions: gender, age, origin, international experience, social and professional background, etc. At the same time, diversity goes beyond these obvious criteria: When selecting Board members, it is particularly important to understand how they think and feel in order to ensure a diversity of perspectives. People who bring in creative approaches, have had extraordinary experiences, stand for agility and action, or have acquired knowledge in the context of digital transformations can be a useful addition. It can also be helpful to consciously engage people who have not previously gained specific Board experience.

Clear decisions: Particularly in stormy times, any inefficiency, lack of competence or professionalism, or lack of a sense of responsibility become clearly visible. Some interlocutors reported that Boards have recently become much more decisive, and that they have now consistently taken and implemented decisions, some of which are radical or long overdue. This applies both with regard to operative business, but above all from an owner perspective with regard to the Board itself. Now is a good time to tidy up these ranks and part with members who should perhaps have left the circle long ago. In other words, to use the crisis as an opportunity to ensure that the new demands placed on the Board are met through appropriate appointments and clear allocation of responsibility.

These are just a few recommendations to ensure value-creating, efficient Board work not only in times of crisis, but also to position the Board well for future challenges. And since the world will continue to be “VUCA”, we recommend that the Board’s work be regularly evaluated, for example by means of a Board Review, and that relevant actions for improvement are swiftly put into effect.



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