

COVID-19: A True Test of Board and CEO Leadership

How Boards are handling emergency succession planning, communicating with management and investors, and planning for the future

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Board Chairs are co-authoring a pandemic playbook with their executive teams, helping to think through human care and safety, the economic impact and uncertain duration of the crisis, and the shape of the recovery. On April 9, 2020, Egon Zehnder gathered over two dozen Board Chairs from global companies for two virtual meetings. They shared how their Boards are guiding companies through the COVID-19 crisis, including what has worked well thus far and the challenges they are still working to overcome.

Scenario Plan, and Scenario Plan Some More

COVID-19 has taken scenario planning to a new level. The speed at which the virus moved through the United States and the uncertainty of how long it will linger has pushed Boards to consider potential realities that may have never been considered for discussion in the past. “We have a Board meeting and committee meetings next week in which a very long session will be scenario planning for the ensuing six to 12 months to really dig in deeply on what might be in store for the company,” one Chair shared. “At that point, maybe we will look into compensation more deeply—if things go to hell, how do you look at that from a compensation standpoint?”

However, scenario planning in the current environment without an abundance of reliable data is extremely difficult. A Chair explained: “You have to think very broadly and let your mind wander on what might be some of the unforeseen and unexpected effects of this crisis. It will ripple through and have multiplier effects—things that happen in one space that affect another that you might not have seen coming.”

Putting People First

Companies around the world have been focused on protecting their employees as much as possible—from both a health and a financial standpoint. Several chairs shared that their management teams were committed to not laying off any employees in 2020. Others have taken steps to support the families of employees as well. “We put a ton of incredibly generous programs in every country around the world— giving checks to every individual [\$1,000 to every employee who makes less than \$100,000 annually], and donating major sums of money to any country we are in,” one chair said. “This kind of corporate behavior is only going to help the company in the future.”

Succession Planning for the C-Suite and Beyond

CEO succession planning has always been a top priority for Boards, but the COVID-19 pandemic has pushed it front and center. “If a CEO is intubated, we don’t want to have to scramble,” one Chair shared. “Management doesn’t want to go there, but Boards need to push them to understand it.” Another Chair noted that temporary succession planning can also be valuable since there is no clear end of the pandemic in sight. “We looked at our leadership team succession and asked, ‘Do we have someone to step in now? How do we assign leadership roles when everyone is working from home?’” he said.

Different industries are tackling succession planning in different ways. The Chair of a hospital system said that his Board had to take succession planning down three to four levels within the organization due to the high risk of exposure. “We had to take a different and more in-depth approach, and we had to put it in place quickly,” he said.

It’s also a time to see who in the company rises to the occasion, and keep them in mind for development and opportunities down the line. “You will have stars in the organization who step up, and you can capture future leadership in this moment,” a Chair said. Boards also must ensure they have Directors who can step into leadership roles if needed. “We have someone with COVID-19 who is in a leadership role on our Board,” a Chair shared. “Make sure you have backups on committee leadership, too.”

Engaging with Management at the Right Cadence and Depth

Many of the Board Chairs at our virtual gatherings agreed that they wanted to stay in regular touch with management but also did not want to create an undue burden by forcing unnecessary communications. Boards and management need to determine the right frequency, type, formality, and informality for them, one Chair explained. For some, it may be weekly Zoom meetings. For others, it may be a daily call or email. “I am on

phone with CEOs of my Boards daily—sometimes multiple times in a day,” a Chair said. “Every other day at a minimum. [On another Board,] as Audit Chair, I’m in touch with the CFO weekly or more frequently.” Communication that is more frequent can be especially useful for CEOs who are newer to the role. “With my company, it’s about coaching the CEO, who is three years into the job, through his first big crisis,” a Chair said. “I’m helping him to think broadly about it.”

Another Chair shared that Directors on her Board are reaching out to key employees on an individual basis to check in on them. “We want to let them know the Board is aware of all the things they are doing to keep the company moving,” she explained. “This goes beyond just top management to those on the front lines—the head of loss prevention, the heads of distribution centers, and others.”

Shareholder Communications: Focus on Recovery

When it came to communicating with investors, one Chair advised continued reliance on the CEO and CFO to maintain the dialogue with shareholders. “They are front and center and have the pulse of the investors,” he said. “Most of the time when the Board gets involved, it’s more about governance and broader issues.”

However, shareholders are likely to have many questions in upcoming earnings calls. Some of the Chairs in our gatherings noted that while Q1 numbers may not be too impacted by the crisis, the following few months will not look as many companies anticipated—though whether that’s good or bad depends upon your industry. (Many consumer goods and tech companies are likely to have very good years, one Chair noted.) Above all, Chairs stressed that it was important not to put out partial information and to be prepared to explain the actions your company has taken and your plans for recovery to investors, the SEC, and analysts. “When you sit and think about this earnings call in early May, everyone will be pushing to understand your assessment, and it’s going to be very challenging,” a Chair said.

Several Chairs suggested not issuing any guidance on upcoming earnings calls and to focus on liquidity and runway. “Be careful about making long-term judgments in the middle of a global pandemic,” one Chair said. “Think about how your business changes.”

What Does the Near Future Hold?

While the Chairs all emphasized scenario planning, there is no guarantee that any of those will play out as expected. As one chair put it: “It will not only be about having the company on good financial footing. It will be more about how do we operate in the future—our supply chain, work from home versus in the office. There is a plethora of things we’re going to have to look at and decide what’s appropriate.”

In the immediate term, companies are considering how they can ensure employees who are able to return to work in the coming months can do so safely. “Employees have a justifiable right to be very, very nervous. They have no idea if their coworkers have been similarly cautious,” one Chair said. “We should be implementing processes the best we can with the limitations we have.”

Another Chair noted that a return to work may not mean to a physical location, as many companies have found remote work to be very effective. “Our CEO said he’s had more productive conversations with employees, customers and others in the last few weeks than he’s had in the last six months because he’s not flying all over the place,” he explained. He went on to add: “Another company I’m on the Board of has a facility in Singapore that’s performing better remotely than when everyone is there, so the CEO is trying to decide if they even should [go back to the facility].”

If anything is likely, it’s that the economic impact will likely linger beyond the health impact and companies must take a long-term approach to navigating the financial side of the crisis. “This is my eighth or ninth recession, and the one thing I have learned from all the other ones is that they do end,” a Chair said. The question, he said is this: “How do you position your company to be stronger going out of it than into it?”

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Covid-19 Micro-Website

We have launched a micro website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

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