

Role of the Directors during the Pandemic

(Based on the presentation of Mr. Suresh Narayanan, Chairman and Managing Director, Nestlé India Limited, during a talk under the CEO Dialogue Series on 10.09.2021)

The COVID-19 pandemic has left economies and businesses struggling due to the enforcement of lockdowns and other measures to control the spread of the virus. Companies are trying to navigate through the ongoing crisis, some adapted quickly and efficiently while many others are still struggling.

The crisis has also forced us to revisit some of the processes and principles which are more relevant now than ever before. The board of directors has an important role to assess the risks and opportunities for the business in such challenging times. Some key issues related to functioning of board are discussed below.

1. Navigating through the Pandemic

Purpose: Reinforcing the purpose, business must demonstrate to employees, customers, communities and broader ecosystem that the organisation has their best interests at heart. The core reasons for existence of a company and what role is it playing for making positive impacts on the society are some of the questions that companies need to ask themselves. The purpose, well aligned with the mission and values, helps in making effective long term business strategy.

Priorities: The Board should be in alignment on what and whom it represents. They should come together as a team with the collective understanding of how to deliver value to all stakeholders, not just shareholders, and also ensure that the organization also fulfill its social obligations.

Process: Board must execute its duties effectively. In this context the directors have a role individually where they bring in their expertise in different areas and also as a group where they strategise to chart a path for the organisation. Diversity in the board in terms of gender, skill sets, experience etc. improves board performance. Putting processes in place that focus on capacity building and succession planning in the board as well as in the organisation helps in improving the performance of the organisation. The functioning of the board has to be transparent and fair representing interest of all stakeholders.

Perspective: Board must lead the way on the need to transform and driving systemic value on key organizational priorities. They need to have the foresight of future developments and should put in place rigorous mechanisms to deal with all such risks and changes.

People: The pandemic has brought back the focus on humane aspect of the business; increased focus on mental health and well being, human capital, and empathy and increased contribution in societal activities.

Planet: Board should ensure responsible business conduct and sustainability in achieving business goals.

Performance: Board should ensure that the organisation stay ahead of times in its thinking and strategy to continue its growth and performance. They should regularly carry out assessment of actions of competitors, scan the policy environment and its immediate as well as long term impact, evaluate market growth and formulate market or product strategies. The board has to be proactive rather than reactive in its approach to face any disruption.

2. Key Focus Areas

Conversations: The pandemic has forced the board meetings to be held online. The flexibility has given the option to hold more such deliberations instead of quarterly day long meetings that were held earlier. The new set up allows the board committees for frequent and more focused discussions on important issues.

Collaboration: Digital platforms help in forging collaboration. It improves participation and helps in braking silos unlike face-to-face meetings which are often dominated by senior or outspoken board members. The frequent nature of such meetings also ensures that agendas can be kept flexible and discussions can be more informal and enriching.

Communication: The changes in how we operate in the physical world also demands formulations of strategies regarding engagement and communication with investors, business partners and other stakeholders. To avoid any gaps, the communication strategies need to be made bespoke as per the needs of different stakeholders.

Culture: Company's culture should rightly mirror its purpose and values. It is reflected in everything from the way people are hired and trained, working conditions to vendor policies and CSR initiatives of the organisation. A favorable culture in the organization is a reflection of both the business as well as its leadership over the years.

Compensation and Succession: To maintain smooth transitions and continued existence, there should be succession planning for key roles in the organisation. Compensation plans need to be evaluated on a regular basis to reward and retain those who enabled the company to survive and thrive.

3. Beyond Pandemic

Reaction: The organisation must assess what the new normal will entail and evaluate the possible long term impact of the recent pandemic on all stakeholders. This will help the organisation to undertake course correction in various policies and processes to address the challenges posed by the pandemic.

Resilience: The need is more than ever now to analyse the value chain to consider unforeseen impacts having snowballing effect. The organisation should also scan and look at the existing as well as possible new emerging risks and be prepared for the future black swans or events that could result in business disruptions.

Recovery: Taking relevant actions to ensure risk assessments and control activities are aligned to take rapid actions and monitor those actions to consider appropriateness of controls in place to mitigate those risks.

Reality – new normal: With gradual phasing out of the restrictions, ensure organisation embraces short term and long-term steps:

1. Establish solid communication channels for all stakeholders
2. Assessment of impact on workforce planning and management
3. Review of phasing impacts depending upon the sector
4. Deployment of digital and process automation
5. Implementing enhanced risk management practices
6. Staying focused and competitive
7. Virtual meetings, balance of offline and online
8. Opportunities and threats during pandemic, what could have been done differently, listening exercise by the Board, impact on the stakeholders

Sources:

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