



INSTITUTE OF
DIRECTORS
SOUTH AFRICA

Guidance for Boards

CRISIS MANAGEMENT

The Board's role in dealing with COVID-19

1 CPD
hour

THE BOARD'S ROLE IN DEALING WITH COVID-19

COVID-19 has emerged to be an unexpected crisis resulting in severe consequences – a so-called “black swan” occurrence. In the business context, it will likely result in a severe negative financial and non-financial consequences for organisations. Organisations across all sectors and industries need to work swiftly to manage the resultant impact, especially as the situation escalates rapidly.

Taking into account the disruption and uncertainty caused by COVID-19, boards should play a critical role in helping their organisations endure (in the short-term) and recover (in the medium term) from this developing crisis.

Below are actions that boards should take to help their organisations navigate crises like this. These have been adapted from the NACD's *Confronting COVID-19: Actions Boards Should Take*¹.

THE BOARD SHOULD ASSESS THE IMPACT ON THE ORGANISATION'S ABILITY TO CONTINUE ITS OPERATIONS AND ADD VALUE

The board should ensure that it has a robust understanding of the effect of COVID-19 across all of the 6 Capitals on which the organisation relies (financial, human, manufactured, social and relational, intellectual and natural). In some instances, the organisations strategy may need to be revisited to ensure business continuity. The consideration of innovative and different ways of continuing business or changing course of business may be needed.

The board should also advise management on innovative ways to mitigate the negative impacts brought about by the current crisis.

Questions for boards to consider	Additional reading material
<ul style="list-style-type: none"> • How are we dealing with fast-changing information about this crisis, and how can we ensure that we use the right sources of information to keep effectively adapting our understanding of and response to this crisis? • Do we have the right crisis team in place in terms of skill sets and functional knowledge areas, and have they been given the right level of decision-making authority? 	<p>How the Coronavirus could affect your business - IRMSA</p> <p>Novel coronavirus (covid-19) impact and risk response guide - BDO</p>

¹ National Association of Corporate Directors (NACD) Paper: *Confronting COVID-19: Actions Boards Should Take* accessible via <https://blog.nacdonline.org/posts/covid-19-board-action>

THE BOARD SHOULD DEFINE CRISIS-RESPONSE ROLES AND RESPONSIBILITIES WITHIN THE ORGANISATION

A key component of crisis management is the clear delegation of the responsibilities between the board and management.

The board should proactively work with management to establish their respective roles during the crisis to foster healthy board-management dynamics.

Questions for boards to consider	Additional reading material
<ul style="list-style-type: none"> • Is there a common understanding among management, the board, and board committees about their respective roles and responsibilities during a crisis? • Are the identification and treatment of disruptive risks a standing agenda item either at the committee level or for the full board? • Do we have effective, open, and clear communication with management about their crisis preparedness 	<p>The Board's Role in Confronting Crisis - Harvard</p> <p>Rising above the flames – answers to directors' burning questions during times of financial crisis – Werksmans Attorneys</p>

THE BOARD SHOULD ENSURE THAT MANAGEMENT IS REPORTING ADEQUATELY TO THE BOARD IN TIMES OF CRISIS

Directors should ensure that there is a robust reporting system in place so that they receive information from management on the spread and impact of the crisis on the organisation, in a timely manner.

Questions for boards to consider	Additional reading material
<ul style="list-style-type: none"> • Has our management team established key indicators that will offer continuous understanding about operational impacts, the effectiveness of our efforts to mitigate our risk, and how the business is recovering? • Have we established protocols and ground rules to ensure that the proper frequency of information flows to the board during this crisis? 	<p>Building board-management dynamics to withstand a crisis – NACD/McKinsey</p>

THE BOARD SHOULD EVALUATE MANAGEMENT’S COMMUNICATIONS STRATEGY TO INTERNAL STAKEHOLDERS

The board should ensure that management has established how it plans to communicate with employees and other internal stakeholders about the impacts of the crisis without causing undue panic, which could result in additional reductions in productivity.

Questions for boards to consider	Additional reading material
<ul style="list-style-type: none"> • Are all relevant audiences being considered when communicating internally about the crisis? Are we communicating clearly and promptly? • How can we keep fear from paralyzing our workforce and reducing our productivity? • What do we need to do to ensure the workforce is equipped to deal with the changes brought by the crisis and is there reskilling of staff needed? • Where working remotely is required, can the workforce work remotely and what will happen to those who cannot? 	<p>Effective employee communication is key to managing epidemic – IOL News</p>

THE BOARD SHOULD ENSURE THAT EXTERNAL STAKEHOLDERS ARE PROVIDED WITH APPROPRIATE INFORMATION AS THE CRISIS EVOLVES

The board should focus on helping management strike the balance between transparency and timeliness while taking the requisite time to collect, synthesize, and communicate accurate information. The additional challenge here is deciding what information is material to the external stakeholders at a time when information is constantly changing. The key, however, is to ensure regular communication

Questions for boards to consider	Additional reading material
<ul style="list-style-type: none"> • What level of information should the organisation be providing considering the level of uncertainty? • How can we effectively balance the need for transparency with the need for a certain level of accuracy? 	<p>Seven habits of highly successful crisis communicators – Reputation Matters</p>

Notes

Disclaimer

The information contained in this guidance note is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although every endeavour is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. The view and opinions contained in this guidance note are merely guidelines for information purposes only, and as such no action should be taken without first obtaining appropriate professional advice. The IoDSA shall not be liable for any loss or damage whether direct, indirect, and consequential or otherwise which may be suffered, arising from any cause in connection with anything done or not done pursuant to the information presented herein. All copyright in this paper subsists with the IoDSA, and extracts of this paper may only be reproduced with acknowledgement to the Institute of Directors in South Africa.



HOW CAN WE HELP YOU?

Individual Services	Corporate Services	Thought Leadership
<ul style="list-style-type: none">- IoDSA Membership- NED Vacancies- Director Certifications- Individual Director Development Programmes	<ul style="list-style-type: none">- Customised Board Development Programmes- Board Performance Evaluations- Governance Advisory Services	<ul style="list-style-type: none">- King Reports and Practice Notes- General Board Guidance- Board Committee Guidance- Research Projects
www.iodsa.co.za	info@iodsa.co.za	+27 11 035 3000