

Chairing in Adversity

危機

This is the Chinese expression for crisis
It comprises the two characters,
danger and opportunity



THE
Board
Advisory
Partnership

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1. FOREWORD AND THANKS

Dear Reader,

CHAIRING IN ADVERSITY

This paper was written by myself and vigorously and brilliantly edited by Jan Hall in 2008/9. Going into a new year so potentially full of difficulty and opportunity, it occurred to me that it was worth exhuming it, historic as it is. 2020 will be a good year for being clear sighted.

From our differing professional perspectives 10 years ago, Jan and I realised that the leadership of most of our client businesses had never known anything other than the bull market that had so abruptly just ended. It also occurred to us that we knew a generation of Chairpeople who had led businesses through various earlier crises and that they would have the advantage in navigating what was to come. We decided therefore to ask if we could extract from them the chief lessons that they had learned so that we could pass them on to others.

The view then of most contributors will hardly have changed in the intervening years – crises generally have their origins in long-term management failures including those of Chairing. In the crash and long L- shaped recovery since then, it has become abundantly clear that the greatest losses were, and continue to be incurred by the least well chaired companies. Good chairing matters, desperately.

The lessons our contributors took form a useful checklist for any Chairperson taking on a new appointment, or at any point in one's tenure. The phrase '*creating a prepared board*' resonates through the contributions. If you have time or the interest to read only a little of this paper, please read the 10 questions posed on page 7 by means of summary. I hope that you will find them useful prompts – no matter how calm the outlook seems.

Some 5 years after the event, the lessons from these research conversations acted as the bedrock to the creation in 2014 of the annual *Chairing in Practice* Series. As we go into our 6th year, the principles and much of the specific advice holds true.

Thank you again to all of the contributors who gave so much of their time and their candour to the paper, and also now to those who repeatedly and it would seem tirelessly, work with us, pro bono, in delivering the *Chairing* series.

The paper is unedited. Please read 'Chairperson' for 'Chairman', and forgive the antique bios of both Jan and I, both of whom have developed our practices independently or our former partnerships.

Thank you,



Kate Donaghy
December 2019.

2. LIST OF CONTRIBUTORS

John Allan	Chairman	DSG International
Norman Askew	Chairman	Taylor Wimpey
John Barton	Chairman	Next
Sir Win Bischoff	Formerly Chairman	Citigroup
Roger Carr	Chairman	Centrica
Sir Chris Gent	Chairman	GlaxoSmithKline
Sir Ian Gibson	Chairman	Wm Morrison Supermarkets
Alan Gillespie	Chairman	The Social & Economic Research Council
Sir Philip Hampton	Chairman	Royal Bank of Scotland Group
Rick Haythornthwaite	Chairman	Network Rail
Sir Christopher Hogg	Chairman	Financial Reporting Council
Richard Laphorne	Chairman	Cable & Wireless
Bob Lawson	Chairman	Hays
Sir David Lees	Chairman	Bank of England
Sir Rob Margetts	Chairman	Legal & General Group
Dr Chris Masters	Chairman	Sagentia Group
Sir Adrian Montague	Chairman	Friends Provident
Simon Oliver	Chairman	Dairy Crest Group
Dick Olver	Chairman	BAE Systems
Sir John Parker	Chairman	National Grid
John Peace	Chairman	Standard Chartered
Roberto Quarta	Chairman	Rexel
Lord George Robertson	Deputy Chairman	TNK-BP
Sir Nigel Rudd	Chairman	Invensys
Ron Sandler	Chairman	Northern Rock
Mike Turner	Chairman	Babcock International Group
David Tyler	Chairman	Logica

3. OUTLINE

A substantive part of what we heard related to good Chairmanship at all times of the cycle and our interviews became broad discourses on the practice of Chairmanship. To have reported fully on what we heard would have made for a treatise of unreadable length for any but the most committed reader. Therefore we have focused on the tactical aspects of leading a Board through adversity.

At the risk of being overly reductionist, we lead with a headline discussion of the consequences of poor Chairmanship in the upswing, with a distillation of what we heard as forming the elements of good Chairmanship in creating the 'Prepared Board'.

We then highlight two issues which were most prevalent in our discussions and which are particularly relevant today, the balance between a Chairman's specific sector experience and more general chairing skills and, secondly, the importance of humility.

We have then laid out in some detail a number of specific approaches which we felt in different ways captured the spirit of all of the contributors' approach to the management of crises. These essentially tactical approaches are not mutually exclusive and indeed overlap considerably.

Finally, we summarise the ten major themes to emerge, with specific relevance to the tactical management of adversity.

4. EXECUTIVE SUMMARY

These ten points, posed as a series of questions, encapsulate the issues which contributors consistently flagged up as being those they would invite fellow Chairmen to consider at any point of the cycle, but in particular when their companies are hit by more adverse times such as now:

1. Effective Engagement

Am I sufficiently engaged with the business, the Executive team and the market? How good is my relationship with my CEO? Does my understanding of the business and the context in which it operates enable me to be additive to his or her thinking? If our situation became critical, could we work shoulder to shoulder in a seamless way?

2. Boardroom Skills

Does my Board have all of the skills with all of the availability we may need if we have to regroup into crisis mode? Should we consider adding additional Board members to help us deal with specific current issues?

3. Board Dynamic

What is the culture around the Boardroom table - just how open to constructive challenge and debate are we? Am I doing everything that I need to do to strike the right balance between driving for decisions and maintaining challenge from the Board?

4. Succession Review

Do we need to review our succession plan, accelerate or decelerate it, or change the required skills profiles? Am I going to be the right Chairman and will my current CEO be the right person to take us through the coming phase of the cycle?

5. Stress Testing

Has the Executive team challenged our balance sheet adequately? Have we stress tested our Survival KPI's – the headroom around our covenants, our funding liquidity?

6. Strategy Review

Have we got the right strategy for the new conditions? What scenarios should we be planning around? How bad could this get and what do we need to do to ensure that we survive in those circumstances?

7. Enabling Action

Is the Board enabling the Executive to think as well as possible through what it needs to do, clarifying the agenda, not overburdening them or 'adding oxygen to the fire of their anxieties'?

8. Limiting Hubris

Are we all putting the company's interests ahead of our own? Does my CEO show the right balance of confidence and humility? Is my own ego sufficiently in check?

9. Managing Communications

Are our communications with the market giving us flexibility and credibility, or are they potentially creating hostages to fortune? Are we managing the narrative with all stakeholders as actively as possible, 'underpromising and over-delivering'.

10. Creating Opportunity

How can we use this crisis as an opportunity to gain greater competitive advantage?

5. THE PREPARED BOARD

The first point made by almost all contributors was that an under-chaired Board in the upswing will be vulnerable in adversity. All were clear that a Chairman's most significant contribution when difficult times hit is having invested time and rigour in developing the Board well up to that point. Borrowing one of Warren Buffet's more famous phrases, the withdrawing tide of the bull market will distinguish the under, from the well-chaired Board.

A synthesis of the points that contributors made on this subject could be that a well-led Board will be prepared for all eventualities. This preparedness can be identified as all Board members, collectively and individually, displaying high levels of:

- Clarity of purpose
- Shared respect and trust
- Knowledge of the business and the context in which it operates
- Open debate and challenge.

This representative extract captures the point:

"Boards have to govern themselves for the bad times as well as the good. They should be thinking about themselves through the whole cycle. When you hit difficulties, it helps enormously to have trust between the Executives and Non-Executives and that there is an environment in which challenge is part of the Boardroom process."

The consequences of weak Chairmanship were frequently discussed:

"This recession will reveal that a lot of companies and Boards won't be fit for purpose. They won't have the skill range on the team to meet the challenges of the sudden and huge drop in the order books that we have all experienced, or have the guts to take action early: to require management to test the robustness of the forward plans against the balance sheet; to test the headroom on the covenants; to be able to shift gear into working with management to monitor status on a regular basis to ensure that the company is safe. I guarantee that a lot of Boards will be out of practice at this."

The rueful voice of one who has recently steered a formerly under-led Board through crisis captured the views of many in outlining a Chairman's three chief imperatives for their Boards at any point in the cycle:

"The first imperative is to give thought to Board construction: the mix and balance of skills, functional and sector, and to have good Board planning and succession processes in place to back that up.

"The second is to build good relationships with senior members of the management team, to make sure everyone is being heard and there is a high quality of debate on the Board.

“The third imperative is the agenda: to ensure that it addresses strategy and risk management properly.”

Another contributor highlighted slightly different aspects of these imperatives which were also raised by many:

“The first thing that becomes significant and obvious in adversity is whether or not you’ve committed enough personal time to understanding the flows of information around the business and the processes that really matter.

“The second is whether or not you have set up a culture which ensures that you see at least two levels down into the company from the Board.

“The third is whether or not you have structured the dialogue in such a way that it becomes evident very quickly if someone is not bringing all the facts or thinking to the table. The gut kicks in and tells you very quickly that there is trouble brewing when people are in defensive mode, blocking off avenues, or you sense there is a reluctance to explore constructs or be challenged on uncomfortable issues.”

In summary on the issue of the prepared Board, one contributor encapsulated the principles of good governance:

“In any company that I chair, I base my management of the Board on four key pillars and good corporate citizenship:

- 1. Clarity that the Board has responsibility for the strategic debate and that it holds the Executive accountable for its delivery*
- 2. Strong central financial control*
- 3. Leading governance practices*
- 4. Sound administration that incorporates processes and procedures supporting good governance and the efficient management of the Board, and ensures full compliance with the laws applicable wherever we operate*

“In crisis, just as in good times, modern companies need to be good corporate citizens, caring for the safety of employees and the public, the environment and the communities in which they operate. The composition of the Board needs to be constructed with care. The Independent Directors must be people who have a width of experience and skill sets that can contribute over a wide range of business issues. I always say that I want people with the skills and range of experience that can take on any subject matter that walks through the Boardroom door. Right now, all of the consequences of the credit crunch and realities of recession are standing outside of our doors. Good leadership at the top and throughout the organisation is an essential prerequisite for anyone hoping to navigate their way through the next few years.”

6. GENERAL SKILLS AND SECTOR EXPERIENCE – THE BALANCE

The need for sound judgment about and engagement in the business was stressed by all contributors, running through the conversations as a constant thread. This was true to such a degree that it raised the question as to whether or not there is a growing view that Chairmen need a greater degree of sector experience than has traditionally been held to be the case.

Can one achieve the necessary level of engagement with the CEO, in which he or she will informally seek out the Chairman's advice if one has no related sector experience? Can that level of engagement be constructed instead by the application of good generic chairing skills? While no one took an absolute or binary position on the point, views differed to a greater degree on this than on any other issue.

The need for an understanding of the core drivers of value in a business was underlined by the several contributors who stated strongly that, for example, they would not accept a chairmanship in an IT, banking or other highly technical business without direct sector experience. Others, though a somewhat smaller group, outlined the principles and specifics of how they apply general skills of chairmanship in overcoming any shortfalls in sector experience, even when chairing highly technical businesses.

Two of the chief reasons given by those leaning towards at least related sector skills being necessary were first, the necessity of being able to detect trouble or underperformance at an early stage, and second, that good judgement of the context in which the business is operating is a necessary foundation to the all-important relationship of trust and partnership with the CEO.

Making the case for the need for greater sector experience:

“You need to know enough about the external environment and have the ability to determine if a business is underperforming – whether it is doing so because of poor, or despite good management.”

“As the Chairman, your job isn't to pull the levers, but you have to know what and where they are. The only one you can pull is the one underneath the CEO, so while you have moved away from the sense of 'when things go wrong, I'll grab the controls', you have to know enough to know how wrong things are going, which means that you have to know the business and have recent experience in a relevant kind of business.”

“Your nostrils have to be well enough tuned to catch the first whiffs of sulphur in the air when there is trouble. Once, as a sitting Chairman, you have lost the touch and feel of the business and how things are trending, you lose the ability to add value to your CEO and that weakens the company.”

“You have to draw distinctions between areas where your understanding is sufficient and where it is not. I have a couple of categories in which I won’t accept a Board membership. The first category includes commercial banks and cutting edge technology businesses. I am neither a banker nor technology savvy. The second category includes some pharma businesses but that sector varies.

“Some have similar investment time frames, models, distribution dynamics, the same mathematics as businesses which I have run. To add value in banking however, you have to understand the complex models in which such organisations trade and in IT it is about understanding the trends of what is happening there, and I don’t. I struggle with an iPod.”

“Keeping the balance between a collegiate culture and ‘group think’ is difficult. In certain contexts, such as in banking and other highly technical businesses, the complexities are sometimes beyond the comprehension of specialists let alone non-specialists. As a Board member in a technical sector which you don’t understand well, you have to listen to the experts and the brilliance of those responsible for execution. By definition, it almost has to have gone wrong before you begin to really cross-examine what is happening. By that stage in banking, as we all sadly now know, it is too late and too complicated to unravel.”

“Of course you can be a good Chairman coming in to a sector entirely new to you if you are intelligent and have good chairing skills. But can you add real value to the CEO, enough to justify the investment that the shareholders are making in you? I’m not a banker and don’t believe that a bank or insurance company would get real value from me. I couldn’t chew the fat with the CEO in the way that you have to be able to.”

And for the case that general Chairing skills can outweigh a lack of sector experience:

“If you understand the sector well, that’s a great advantage, but if you haven’t got common sense and the broader skills about building value in the right way, any sector experience is useless. You should have a check-list of the fundamental transferable skills that someone needs to bring: general business skills, managing people and CEOs in particular, a good common sense approach to strategic issues, and a doggedness about whether or not the right strategies are in place.”

In answering the question as to whether or not he thought that non-sector specialists can form the requisite judgment in a technical business, one contributor was very clear that it is not necessary to have sector experience and that it is the complementarity of judgment around the table and one’s chairing skills that matter:

“It is very important that any Board has in its composition people who have long-standing experience in the sector. You can make judgments on economic returns on investments and on people. A lot in life is about resource allocation and working out if you trust someone.

“My not being a sector specialist in a very technical business matters a lot for example around asset allocation, so we have brought two additional technical experts onto the board as Non-Executive Directors, people with heavyweight careers in relevant fields who can make judgment calls on resource allocation and understand all the issues and challenge the Executive.”

Two alternative views:

In the words of one who has been appointed to the Chair from the Senior Independent Director position in crisis situations, it is not one's sector knowledge that matters but the scale, quality and nature of one's judgment that is relevant:

“Particularly in this time of crisis, in a Chairman you want someone who has been tested by the same fires as those the company is going through, or could be facing. Someone who has run something of the same scale, not necessarily in the same sector, but a business which would have taken the same length of time to turn around. That way you're going to have an idea about the issues that the CEO is going to have to tackle. If you haven't, it will make for a gap between you and that is fatal.”

As a final word on this point:

“Whether or not a Chairman has relevant sector experience is less important than whether or not he or she has multi-company experience. Even if you have been in a massive company, if you only have one model of how things work, you're going to have tunnel vision. It is really important that as training for Chairmanship, Executive Board members get exposed early to other companies and models as NED's.”

7. THE IMPORTANCE OF HUMILITY

The role of humility is not much discussed in business. It is clear, however, that humility is an inherent quality of good chairmanship. This was a point made by most, but particularly by those Chairmen with the greatest experience – for some of whom this is their fifth recessionary phase. The chief contexts in which humility was specifically mentioned were in learning from experience, being able to make objective decisions, in limiting the operation of hubris in the CEO and in being happy for others to take the credit.

Learning from experience as an inherent quality in good Chairmanship

One of the most experienced Chairmen to contribute spoke very honestly on this point:

“I’ve had crash courses in humility throughout my career. There comes a time when you begin to ‘know yourself’ in the sense of what was written above the door to the Delphic Oracle. It is only painful experience that gets you there, sadly. But you’ve got to get the self out of the way. That means that you don’t compete with the CEO, you admit it when you’ve got something wrong, and you put the company’s interests before your own.”

Limiting the operation of hubris

“A very successful but greedy CEO is a dangerous thing. I have had to manage some very difficult ones. When the market is enthused by the results, it is very hard to resist such a man, to limit the operation of hubris in the deals he wants to do and how he may want to be paid. You ask yourself, should I step down if I cannot endorse what is going on, or should I stay and influence what I can? It is incredibly difficult and often you don’t sleep at night.

“On the occasions when I have had to tackle such a situation, I have done so by waiting until I could bring a new, heavyweight NED onto the Board and, with them, successfully building a coalition amongst the other Board members. The outcome has been an agreement that it was time for the CEO to move on, with genuine thanks and applause, and with an orderly but firm succession process being instituted. Otherwise it becomes a street fight which is harmful to everyone, most of all the company.”

In the words of another:

“Corporate governance has driven us in the direction of the Chairman/CEO relationship becoming a partnership. If you have an alpha male in either role without check, you’re going to run into problems. It is just a question of time, as we now know.”

Achieving objectivity and balance

Implicit in many of the comments made on the role of being humble in this relationship is that, as Chairman, one needs to have managed one's own ego so as to bring requisite objectivity to bear and also to help the CEO to manage his ego too (should it not be his natural inclination).

"The mutual respect between a CEO and Chairman are key to everything. Part of that has to be that the CEO feels confident that he can expose his weaknesses with his Chairman. The last thing a CEO needs is to do so and then find that by doing so he has undermined himself. Both have to be able to trust the other absolutely to be open, grown-up and sensible."

One contributor spoke of the need for Chairmen to ensure that their CEO's "have the right balance of confidence and humility" by which he meant encouraging them:

"... not to assume that by the application of great intelligence and their best people they can successfully turn around every underperforming business. Some loss-making businesses or divisions should just be sold. And additionally, the Chairman should advise a CEO that they should be profoundly sceptical about any business model returning out of the ordinary results: they may be illusory or about to prove short lived."

Giving and taking criticism or challenge

"In retrospect, we were not self-critical enough as a Board in the lead up to the recent crisis. There is a marked tendency amongst Executive Board members to think 'Don't criticise my business and I won't criticise yours.' That would never happen in a partnership culture. In quoted companies we have to learn from that."

Needing to stand back

"Some Chairmen want the oxygen of being in the press all the time, which is bad. If the Chairman 'over contributes' or is a meddler in operational affairs, then the Board has to act. Get him to stop or change him out. As Chairman you should not be hands-on but should be engaged enough to know if the CEO is performing or not. The only time that you should step up and 'take the microphone' is if there is bad news to convey and you and the CEO decide that the CEO should focus on execution while you handle external relationships and communication."

Being the invisible hand

Being happy to guide events without being directive or taking the credit for good decisions was summed up by one but expressed by many:

"The essence of knowing that you are getting things right as a Chairman or leader in any other context, is when, after a difficult decision has been reached or task achieved, everyone thinks that they were the one that pulled it off"

8. SPECIFIC TACTICAL APPROACHES TO CRISIS MANAGEMENT

The following extracts capture the breadth of the points made by the majority:

‘SURVIVAL KPI’S’

Focusing on short term priorities is essential:

“When adversity hits as it did in 08/09, everything is about the KPI’s for survival: headroom on debt covenants, net debt and EBITDA – your funding liquidity, being able to produce sufficient profits to service your debt, that’s the one you need your headroom on mostly, and of course cash management. It’s all about cash.

“At times like this, Chairmanship really matters. The confidence one inspires becomes material. You have to put in stronger effort, ensure certain things happen, and keep your CEO focused. And the Non-Executive Directors will have to be more participative, more aware of various things, and be monitoring how the management is dealing with constructive criticism and debate. The Board must keep asking itself whether or not performance is in line with sector trends’.

“Test your balance sheet robustness and ensure survival first and second, how you can use the crisis as an opportunity to do the things which you might not have done otherwise. The Chinese character for crisis is a composite of the individual characters for ‘danger’ and ‘opportunity’. You have to come out of difficulty in better shape than you went in.

“A good Chairman will not panic, and won’t complicate life for the Executive. It’s your job to stay cool, be analytical with the CEO on what has to be done. The CEO has to be comfortable in wanting to come to talk to you to chew the fat regularly and informally reviewing people, capex, fundraising, etc. giving him a clear steer as to what the Board wants to see every month... what the relevant figures needed are, the trending information... so that as a group the Board can be asking itself ‘where’s the bottom, have we hit it yet?’. You need to know where you are and be able to have very clear assumptions about how you think events are going to unfold and regularly manage against it. It is a pain, but you have to do it.

“It is important not to overburden the Executive – they should leave meetings with at most two or three things which they must do, centred on the KPI’s, not with 150 ideas. From this clarity you can build your survival plan.

“A good Chairman will also grab everyone’s attention when a company is in crisis or something very close to it. Getting rid of unsatisfactory Non-Executive Directors for example which I have done within weeks of arrival. That grabs the management’s attention! And whatever plan you come up with must be credible and well communicated. You’ll know that you’ve done well when a) you’ve pulled through and are in good shape and b) everyone thinks that they did it themselves. The Chairman really should be the unsung hero in all of this.”

“Remuneration is an important issue in a downturn. The guideline is to look at the behaviours you want from your team. Ask the question ‘in 12 months’ time, given the severity of the downturn, what will we be regarding as success in the eyes of the shareholders?’. Remember, Executives in a downturn have to work a lot harder than in the upturn, so I don’t buy into the line that you shouldn’t reward them in a downturn. Target performance-related pay should be locked into the survival KPI’s.”

THE REHEARSAL ROOM

The ‘Rehearsal Room’ is a term applied by one Chairman to the overall context which he seeks to create for the Executive when they are under intense pressure. It synthesises the overall approach of many of the contributions.

“The Executive will be becoming exhausted and not have enough time to think. The Board needs to use Board meetings differently and become a kind of rehearsal room where Executives know that they can think aloud, trial approaches and get our input, not judgment.”

“Scenario planning becomes essential: you must ask ‘What might happen? How bad could this get?’ You have to test this to the point of knowing what would threaten your survival because until you’ve got that far, until you’ve seen the worst that could happen, it is very difficult to get your head up and see the world optimistically.”

“Who matters? This is heresy, but for a while it is not the shareholders, it’s the banks, those people who can come in and take your business away from you. The customers are absolutely vital. If they desert you, you’ll never get them back, and the employees, if they go into paralysis it is really unhelpful. They need careful handling, and time.”

“The Executives really need to be able to bounce these ideas around with you, so that they can stress-test things until something that was an absurdity at first thought becomes the new reality. And keep the agenda focused on just these most important points. If you send the Executive away with lots of new actions, that’s just no good, that’s just draining.”

“How do we emerge from all this as a winner? After the reality check of ‘How bad can this get?’, asking yourself how the organisation can use adversity to its advantage gets the bounce back in the Executives’ step, which is terribly important.”

“What do we wish we’d done in the upturn that we didn’t? This is the final question. Leave it in the envelope for later. It is such a waste if you don’t pose it now and keep the learning for the next upturn. It forces honesty. Now is not the time to think about it, but lock it away for the future.”

“You almost want the Executive to be risk averse in certain areas. Too often the reverse is true, that they are in fact paralysed by risk rather than acting in a risk averse way. The latter is fine for a while but the first is really worrying. Creating a ‘Rehearsal Room’ environment in the Boardroom allows them to start thinking and asking the final question: now that we know where we are, what can we do to be bolder?”

“The management of communications: the important thing is to keep control of the narrative. In the downturn, you’ve got to find a way of communicating which doesn’t alarm investors, but at the same time doesn’t offer hostages to fortune. The only way I’ve found of doing that is to construct a picture that has a whiff of realism in it but then talk about what will drive the key assertion so that the market can take a view for themselves and if you come back and you haven’t hit the figures, you can talk to them in such a way that it’s not a profit warning. It just allows them to move their models slightly. The problem with the all or nothing deterministic narrative is that it leads to abrupt changes of market understanding, which are never favourable.”

“The time it takes to repair a poorly judged communication makes any time spent in preparation in what I think of as the Rehearsal Room really well spent.”

REVIEWING STRATEGY

Engaging the Executive team in a totally honest reappraisal of the market conditions and future prospects for the business is the start point for this approach:

“In a crisis, a Chairman should force management to confront reality and in the face of a realistically pessimistic analysis, consider whether or not the company can survive. There are some situations which are not manageable even by good management and have to be faced up to. Part of the role of a Board is to say, ‘But what if the downturn continues for longer than we think possible?’”

“Challenge must be persistent, not overly aggressive but constructive, helping find solutions to ensure the company is capable of surviving or, if it isn’t, recognising as early as possible what it needs to do. There are two key questions:

- *Has the business got a strategy that actually reflects the reality of its market?*
- *Has the company got the resources to carry itself through whatever it is going to go through?*

“We have to challenge the assumption of the return to linear growth as before. Do we see a return to the former trend line with a period of super-growth following the really bad year or two? Or do we envisage a return to the former trend line but just at a lower level? Is there going to be a sea change in customer needs that means that we’re in a different world?”

The key questions would include:

- *What would we do differently if we knew that there was going to continue to be a really tough time ahead rather than just an interruption to growth followed by a resumption?*
- *What are the things that we are doing which we would still want to do?*
- *What are the things that we are doing that won’t make much difference?*
- *What are the things that we would want to do differently?”*

THE CABINET WAR ROOM AND REVERSE TRIAGE

This approach encapsulates the ‘action’ as opposed to the facilitative style, and involves the concept of a reverse version of triage – the methodology used in Accident & Emergency trauma departments in which the medical teams sort out who they must treat first. By it, the Chairman who outlined this approach means helping the CEO focus on what he does NOT have to do – in order to allow himself time to do what he must do.

“Manage your potential availability and that of the people you may need – ask yourself, Can I be available three days a week – all day? Can I create a War Cabinet if I have to? Have I got the right people and what roles would they fulfil? Have I got one, or ideally a couple of Non-Executive Directors who aren’t in Executive positions, who could be available three days for a week? Can I put together a Board committee at very short notice?”

“Be sure that you have the right CEO. In crisis, the Chairman and CEO have to become a single entity. Any question about that unity creates opportunities for confusion and/or the paralysis of doubt. In the good times you need to know that in a crisis, you could work that way with that CEO. Talk it through with your best advisor.”

“The Cabinet War Room – when something that’s way out of the ordinary happens, it is as though the Boardroom becomes a Cabinet War Room. People keep coming in and throwing in new issues – brokers, regulators, customers, management – it becomes quite chaotic if you’re not careful so you have to manage it with precision.”

“The Chairman and CEO have to become a single unit – in extreme circumstances. At those times, the CEO just can’t do the normal day job but the elements of that day job still need to be done. It is not set in stone how the roles need to change. They will change as and when the crisis develops. The Chairman has to be just about as available as the CEO. The CEO needs to delegate aspects of his day job to others. Those tasks still need to get done.

“Communications: the thing that keeps ratcheting up all the time is the time spent on communication, and that can’t be delegated. External communications need to stay with the CEO as much as possible. Communications with the Board, even on Executive matters, move to the Chairman. Private external communications with brokers etc. also move to the Chairman. Senior internal communications could be either. In fact it’s a good thing if you appear to be interchangeable with the CEO as management has to believe that you are acting as one. But further down the organisation, the CEO should do as much of the communicating as possible, because that is normalcy. A general rule: whatever you’re doing and the scale of the crisis, you have to maintain as much normalcy as possible and avoid ‘rabbit in the headlights’ syndrome, for the Board and the organisation. Let them know that you’re managing the crisis but they need to keep the foundations of the business going and that you ARE managing the crisis, and that you will emerge out of it.

“In terms of helping the CEO not become overloaded, manage a kind of reverse triage – sort out what you DON’T need to make a decision about today that can therefore wait, focusing instead on what won’t wait and needs to be progressed. CEO’s can get too frenetic. To counter this, you can provide the context. Keep them focused on what they can and need to do. ‘Do X because that will get us to tomorrow’. When we get there, we’ll address what we need to do to get through to next week.

“Be reluctant to make decisions until you have thought whether or not you actually need to make them today. What looks the right thing to do today, in fast moving circumstances, may become the wrong thing tomorrow and you end up with constrained choices. But whatever decisions you do make, make them and move on. Don’t keep revisiting them.”

MANAGING THE TENSIONS BETWEEN EXECUTIVES AND THE BOARD

In a major crisis, the Chairman must keep the Board as functional as possible, “maintaining the balance between driving for decision-making and ensuring open discussion”. One contributor summed up the issues raised by many:

“There is a great paradox: real adversity is when you most need your Board, and it’s the time that it is most difficult for them to deliver. Boards operating outside comfort zones need to discard normal rules and think afresh about positioning and behaviour with each other.

“An effective Board in a crisis is one that can strike the right balance between two tensions in particular – that of driving for decision-making yet maintaining an openness to challenge and, secondly, the Non-Executives’ new role in respect of supporting management. As a Non-Executive Director you have both a great need to know what is going on, and you also want not to get in the way unnecessarily.”

“The message for Non-Executive Directors in this situation is: think hard about this balance and how you can adjust your posture to accommodate the Executive’s needs. For example, in a complex and hostile bid situation, you may be feeling too remote, unable to exercise the oversight required of you. You will be anxious because you know it is your job to exercise oversight and because you know that you may be exposed to liabilities. This leads to tensions with management feeling put upon and overburdened by your requests for information, while you are feeling under-informed and marginalised.”

“In this situation, the Chairman has a huge role in the cultivation of trust in order that everyone remains receptive to challenge. This kind of trust needs to be built up over an extended period. It can’t happen overnight and hence the emphasis on preparing for such eventualities in calm times.”

“This is the time when a Chairman can really distinguish himself – bringing strength of discipline to the table while requiring everyone to remain open to challenge.”

TEN SUMMARY POINTS ON TACTICS IN A CRISIS

1. Keep Strategy Under Review

“Review your strategy more frequently than you otherwise would. Get back into scenario planning. Establish the worst case scenarios and decide whether or not you need to re-position, amend or abandon your strategy.”

2. The KPI's of Survival

“Focus on the Survival KPI's: headroom on covenants; funding liquidity; cash management.”

3. Simplify the Agenda

“Simplify rather than complicate. Reduce the number of agenda items on the Board and do not overload the Executive with unnecessary new tasks.”

4. Prevent Potential Paralysis Amongst the Executive

“Work with the Executive to differentiate between acting in a risk-averse way rather than being paralysed by risk.”

5. Avoiding Operational Paralysis

“Avoid the company going into operational paralysis. Communicate with your staff making it clear that you are managing the crisis and that it is their job to carry on as normal delivering to customers.”

6. Key Supplier Risk

“Look closely at, and keep an on-going assessment of the strength of your key business partners in the supply chain and distribution, particularly from a funding and finance point of view.”

7. Requisite Skills on the Board

“If you do not have all the skills on the Board that you need, get them. Add if you do not have time to replace.”

8. Giving Guidance

“In communicating with financial markets, do not create hostages to fortune. Don't give guidance if demand conditions are so opaque that you can't give guidance to yourself. It can be OK not to give guidance. Have the courage of your convictions when things are very difficult. Under-promise and over-deliver.”

9. Managing the Media

“Support your CEO in managing the press. Tell him not to believe everything they say and not to read the papers if they are upsetting. If they get their knives into you or him, the only way of getting them out is by performing, but by far the best technique is to keep a low profile at all times. Those who live by publicity can die by it.”

10. Opportunity is Inherent in Difficulty

“Just as the Chinese character for crisis is made up of those for danger and opportunity, ask yourself how can you use this difficult period to your advantage and emerge in a competitively stronger position.”

THE AUTHORS

Jan Hall

Jan is a founding partner of the JCA Group. She specialises in Board level search for both executive and non-executive appointments, working with FTSE clients. She also has a strong track record in conducting Board Reviews and is a Tavistock qualified executive coach.

Jan graduated from Oxford with an MA in biochemistry and joined ICI where she became the Brand Manager for Dulux before spending time on the B2B side of the business. She then led and built Coley Porter Bell to become one of the UK's top corporate and brand identity consulting firms. Following this she became European CEO of The GGT Group plc where she was a main Board Director and ran their 16 businesses across the UK and Europe. In 1997 Jan joined global search firm, Spencer Stuart where she spent eight years as one of their most senior partners.

Jan has sat as a Non-Executive Director on a number of plc boards including what is now TUI travel, where she was the Senior Independent Director. She is a member of the SAïD Business School's Business Advisory Forum in Oxford and a member of the corporate development boards for the NSPCC and the Tate. In 1996 Jan was awarded an OBE for services to what is now the Department for Business, Innovation and Skills.

Kate Donaghy

Building on her former career as a search consultant and training both in law and in coaching, Kate founded Manchester Square Partners with colleagues in 2005 to advise Board members and other senior people at moments of change in their career. The firm has become an established market leader in providing support for directors both stepping up to expanded roles and also for those leaving Boards who want to think through how they develop their career from that point forward.

Kate trained as a barrister, and was called as a Member of Gray's Inn in 1987. She is a graduate of the School of Oriental and African Studies with an LLB specialising in Chinese and Japanese law. She has a Diploma in Executive Coaching from The Tavistock Institute, London. Her schooling was in Ireland and Berkshire. On leaving school, Kate worked for seven years as a nurse and then midwife in Belfast, London and Hong Kong.

Kate has Board or advisory roles with the Arvon Foundation which promotes creativity through writing, Concertina, a charity bringing music into homes for the elderly, the Academy of Ancient Music and the Cardinal Hume Centre, a centre working on homelessness in Westminster.



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