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Pandemic or No, It's Business as Usual for Boards

For now, corporate boards prefer to keep the status quo – and the long view – in the face of Covid-19 upheaval.

The scale and pace of change unleashed by the Covid-19 pandemic has no precedent in modern history. How well companies perform depends in part, at least, on their board of directors, the highest decision-making body in the corporate hierarchy. To get a glimpse of how boards have adapted to the new reality, we surveyed 266 chairs, directors and CEOs in 23 countries, mostly in Europe, between May and June. We also conducted follow-up interviews with 23 respondents.

Sixty-seven percent of respondents reported that they were spending more or significantly more time on their board work. Most of it went into informal interactions among board members, between board members and their chair, and between board members and their CEO. The level of formal interactions – board meetings – did not increase as much, with only 40 percent of respondents indicating that their board meetings had become more frequent and 26 percent saying the meetings had become longer.

Four patterns of response

Our study confirmed that the work of corporate boards is very contextual. We couldn't establish a strong correlation between the strategies boards had adopted and independent variables such as the industry, the life cycle of the company, the ownership structure or the country. The board of one large real estate company virtually ceased its activities during the crisis, while that of a similar company from the same industry and country significantly increased its engagement and reorganised its processes.

Nonetheless, we identified four broad patterns of response to the pandemic:

Withdrawal: Approximately 15 percent of boards on which our respondents sat reacted passively to the crisis. They reduced or barely kept their time engagement with their companies. They condensed the scope of their work and made a limited number of decisions, mostly of a defensive nature (such as cost-cutting). They focused on issues at hand and rarely discussed the future. Other stakeholders – executives or shareholders – took the lead in navigating the company through the crisis.

Engagement: Some 15 percent of boards increased the time they spent on board activities without adapting their processes. Board members put in longer hours and actively interacted with executives and each other on an informal basis, yet stuck to the traditional agenda in the boardroom.

Adaptability: About 20 percent of boards increased their engagement with the company and changed the focus and the content of their formal and informal discussions. Some of them increased the scope of their work by adding extra items to the agenda, while others concentrated on a smaller number of items. They made both defensive and offensive decisions and actively discussed the future.

Stability: Roughly half of the boards did not make any significant changes to the way they operated and spent the same or slightly more time on board work. Those boards kept the course – they worked on the same agenda with little amendments, preserved routines in spite of moving work online, and retained demarcation lines between themselves and management. Unsurprisingly, members of such boards felt that their boards were well prepared for the pandemic and were sufficiently competent to deal with the challenges posed by the crisis.

Bastion of stability

Meeting upheaval with constancy thus appears to be widespread among corporate boards. Our survey showed that only a third of boards had increased interactions with external stakeholders such as shareholders and governments. Less than a third of boards had adjusted their mission. The vast majority of boards did not change their composition to acquire additional skills, since the nomination and election process is complex and time consuming.

Surprisingly, only about a quarter of respondents reported that their boards used information from external sources – such as consultancy reports and competitors' actions – while making decisions. Apart from government directives, boards chiefly relied on internal information including company analytics, management recommendations and the experience of board members themselves.

What might explain the modest change in corporate boards in response to the pandemic? First, the purpose of boards of directors is to ensure the long-term success and development of companies by creating and supporting an effective framework for executive action. Boards take the long view and are geared towards organisational stability. As one director put it: "Pandemic or no, we do the same things – support and challenge management, endorse strategy, approve investments and divestitures. Why change?"

Second, the nature of directors' work – part-time activity, infrequent short meetings, limited exposure to the company, significant compliance requirements – limits the opportunities for profound change. One experienced board chair said: "In the last four months, our CEO reshuffled her team, adapted its agenda, introduced new formats for company-wide collaboration and started five innovation initiatives. I cannot do any of this. I have to live with the board I've got and my six meetings a year."

Third, most directors we surveyed have more than 30 years of work experience and tend to be conservative rather than innovative in their approach to board work. A director observed: "Of course, businesses need to adapt during the crisis. That's the CEO's job. But they also need continuity and that is the job of the board." Many directors emphasised the positive role of their boards as guarantors of stability and continuity for their companies.

This is the first of our two-article analysis of boards' response to Covid-19 and our recommendation on how they could stay effective in the new normal. In the second part, to be published soon, we detail how boards should review their own processes as well as the performance of the CEO and senior management.

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