

## VIEW FROM THE TOP

**Whilst some businesses are struggling to survive, others are reaching new levels of growth. There is no playbook for boards to follow in response to a global pandemic. Board members must find a balance in simultaneously managing short term responsiveness, the need for rapid decision making, and thoughtful planning and preparation for future recovery.**

**As the UK moves through its third period of lockdown since the onset of the global pandemic in March 2020, SH Gillamor Stephens considers the impact of the COVID 19 crisis on the performance of boards and non-executive directors. David Bailey, who leads coverage of the CFO function for SH Gillamor Stephens, spoke with Charlotta Ginman to understand more about the perspective of a plural Plc non-executive director during the COVID 19 pandemic.**



### **What has been the impact of COVID 19 on you as a plural NED?**

As the UK went into its first lockdown in March 2020, one of the boards I sit on was in the process of preparing to publish its annual report following the December year end. The heightened uncertainty made this much more challenging, particularly in relation to signing off on forward statements. With so much market turmoil there were clearly implications for obtaining external auditors sign off too. It was a really tricky time.

To an extent, there was a 'novelty factor' to the first lockdown. After the initial period of adjustment, many people found benefit in less travel, more family time and for me, more time for reading board papers and preparation. The shift to remote working also had an extraordinary impact on digital transformation. We have all had to learn fast. Of course, there was a degree of variability in adaptation amongst board members and leadership teams, but on the whole, the businesses I am involved with made a really good transition, accomplishing digital change that would ordinarily take years in a matter of weeks!

The second lockdown definitely felt harder. Any novelty factor from the first lockdown was lost and it was clear that COVID 19 was not simply going to go away, it was not possible to predict

when the situation would improve. From a business perspective, this deepened uncertainty making it much harder to plan ahead, resulting in the delay of important decisions. News of a vaccine certainly helped us to see a way forward, but without a definite timeframe and so many questions around vaccine distribution and efficacy, it was extremely difficult to plan ahead.

The transition to video conferencing in place of face-to-face meetings has been smooth for the boards that I sit on, but it is interesting to observe how this has started to impact behaviour. Conversations that perhaps could have been completed in a short phone call have now become video calls, and inevitably, this gives rise to the temptation to extend an invitation for others to join. Multiple people on a call really does change the nature of the conversation.

It feels as if video calls are becoming the default and its harder to have brief, discreet conversations that one may have had in a short phone call before. I think it can also feel a bit dismissive to have a VC for 5 or 10 minutes. There is a sense of a greater obligation for VC calls to take longer.

## plc insight

### Interaction with board members, the executive and the business

Whilst the frequency of board meetings hasn't really increased, I have more 'catch up meetings' and interactions with other board members and the leadership teams now. I think this is something that we will continue; whilst the increased frequency of contact means more conversations, in turn this has helped to reduce the length of periodic board meetings. It's no longer necessary for the board to all be in one place to meet. The board members I work with have adapted quickly to virtual board meetings and there have been no major issues with technology. I do think it is much more difficult to chair a board/committee meeting over a VC though. This is a real skill. Adjustments need to be made when we are not in the same room to make sure that everyone gets a say and stays engaged.

As a NED it's important to get a good feel for the business, to understand what is happening on the shop floor. But the opportunity for informal spontaneous conversations with the team has largely been lost and this presents a range of new challenges. In comparison to visiting one of our offices, communicating via video conference can often feel stiff and staged.

The VC format has worked well for me with people that I already know, with other board members and our senior leadership teams, but can be far less effective a way to communicate with people you know less well or haven't had the chance to meet at all before.

In particular, it's really difficult to engage with middle management in this way. It can feel uncomfortable calling managers in the business 'just for a chat' out of the blue, and in the absence of being able to visit our teams on the ground as I would usually do, spontaneous conversations become harder.

I think this loss of interpersonal interaction heightens the board's concern about employee wellbeing too, and in particular during this crisis, employees' mental health. Typically, I would travel a lot and have the opportunity to meet people in person. It's much easier to get a sense of how people are really feeling when meeting face-to-face and that has been lost almost entirely.

I joined two new boards during lockdown and there are lots of people in each company that I simply haven't been able to meet face to face yet, which is of course far from ideal. One of the businesses I work with have made senior leadership hires during the pandemic too. Meeting candidates in person is, naturally, preferred but meeting via VC is a pretty good alternative and we have found this to be an effective substitute.

### Employee Wellbeing

The longer that this crisis goes on the bigger the issue of employee wellbeing becomes, and this is a very serious concern. The boards I sit on have had a high frequency of interaction with their CEOs and CFOs, and whilst business leaders are of course under huge pressure, it's also more likely that they will have good infrastructure and support around them.

“ I think this loss of interpersonal interaction heightens the board's concern about employee wellbeing too, and in particular during this crisis, employees' mental health. ”

## plc insight

Thinking about how we support our workforce has been and continues to be very high on the board's agenda and we are doing everything that we can. Employee surveys have been useful and the vast majority of employees in the businesses I am involved with say that they don't necessarily want to return to the office and are happy to continue to work from home, or a mix of remote and office, at least for the foreseeable future. There are obviously practical implications to this, particularly in relation to the real estate footprint of each business that I work with. There is an opportunity to change the way in which we work and redistribute infrastructure cost savings to support employees.

Finding ways to make it easier for employees to work more effectively at home is a priority, especially for those that don't necessarily have a dedicated space to work in.

There are wider issues in the shift to remote working that the boards are concerned about though too, especially around employee engagement for the longer term, maintaining corporate identity and culture, and crucially, how to read the mood of the business across a dispersed workforce.

One thing that has perhaps been an unexpected surprise is the reduction in employee grievances. There are likely to be a number of reasons for this but clearly not working in close proximity means there is less opportunity for potential conflict. With remote working now a necessity, boards need to adapt practices and controls to mitigate both risks to the business, and, to make sure that remote working is safe and secure for employees. Digital risk is a particular concern.

**Diversity, Organisational Purpose and the Environment**

There is definitely a much broader view of diversity and inclusion now for the board. There has been a huge leap forward. This has been the direction of travel for some time though and I don't think the increased awareness is necessarily related to COVID. From the initial focus on gender diversity over the last few years which has moved relatively slowly, the next wave of change is moving much faster and accelerating across all diversity categories.

COVID has clearly prompted deeper thought about climate change and the environment, but life goes on if you can't travel or fly. Video calls have proven to be as effective and more efficient than business travel. It has always been important to consider the social and environmental impact of a business. CSR and ESG have long been a focus for the boards I am a member of, but everything seems to be linked to COVID now, whether it relates directly or not.

**Charlotta is a non-executive director and chairs the audit committees of Pacific Assets Trust plc, Polar Capita Technology Trust plc and Keywords Studios plc. Charlotta is also a non-executive director of Unicorn AIM VCT plc, Boku Inc. and Gamma Communications plc. She qualified as a Chartered Accountant at Ernst & Young before spending a career in investment banking and commercial organisations, principally in technology related businesses. She held senior roles with JP Morgan, Deutsche Bank, UBS and the Nokia Corporation.**