

A board's response to the coronavirus crisis



Recent experiences of a Senior Independent Director

Boards have had to respond innovatively to provide leadership since the outbreak of the coronavirus pandemic. In this short series of interviews, I discuss their practical experience with a few board members. My second interviewee is an experienced non-executive director who is the Senior Independent Director of a large insurance company.

Hanif: Thank you for taking the time to speak with me about your recent experiences at such a busy time for you. I understand your board had scheduled board and committee meetings last week. How did they go?

SID: It's my pleasure. Yes, we had meetings already scheduled for last week, the first week of the lockdown. We went ahead as planned with much of the preparation for the originally planned meeting agenda was done.

Of course, we couldn't meet in person so we had video meetings, using Teams, for the committees and the board. This worked very well. Where there were management attending who had not previously met the board, they seemed comfortable presenting and responding to questions via video. From the board's perspective, it was as like being in the same room.

The board papers were good quality although, unusually but understandably, a few were late. As you'd expect, there were inevitable changes to the agenda and the nature of board discussion.

Hanif: Were there any practical challenges with the remote meetings?

SID: Our board members come from across the UK – some are in fairly remote locations where internet connections are not as reliable. We, therefore, made sure we had regular dial-in facilities which, in hindsight, proved a good idea.

With the video meetings, it wasn't as easy to pick up on cues and body language and it is much harder when chairing a meeting to know when someone is uncomfortable or disagrees. However, we have a fairly stable board which works well together, so all board members had a chance to air their concerns.

Hanif: How did the board communicate in the lead up to the lockdown as the situation changed?

SID: Whilst we did not have any additional formal board meetings, there has been very good communication at board level. The Chair has ensured all board members have been kept informed. He has been discussing emerging matters relevant to their expertise with them in bilateral or multilateral conversations and discussions as has been appropriate.

We also set up two 'gold teams' to lead the response to the crisis. One focused on operations and the other on finance, and appropriate board members are involved in both. This approach worked very well and ensured the board had a good line of sight. Going forward, we will have weekly board calls.

And, of course, the Chair and Chief Executive have been working closely together throughout.

Hanif: How did the board's focus change?

SID: We have very strong customer-centric values so, not surprisingly, supporting our clients has been central. To do this, the organisation has needed to enable staff to work remotely effectively, something we were not used to. Staff wellbeing has always been important, even more so today. It has also meant redesignating some staff and management responsibilities to be able to continue to support customers and staff.

From the business perspective, the market falls have meant there have been solvency pressures for our life fund and the company, but agreed processes already in place have helped us to address the situation. Viability has been a focus

and we have undertaken a re-budget based on the latest information available. The board considered this at last week at the board meeting and will keep this under close review as the environment changes.

Management has been in active dialogue with the key suppliers we depend on, and the board have been kept informed about the risks.

Hanif: Are there things you now aren't doing, at least in the timescale planned?

SID: Given the uncertainty and the rapidly changing situation, a board must be reprioritising. We are focusing on the important and critical things, and we aren't doing the things we don't have to do. It is vital we are nimble in these circumstances and we concentrate on what matters for our members, staff and the business.

So, in line with latest FCA and PRA guidance, we have held back on releasing our financial results which we were about to issue. This is likely to have a knock-on effect on the timing of the AGM.

Additionally, stability for the board is important at a time like this and planned board changes for later this year will be deferred.

Hanif: Given what the company has done, how does this reflect on your board's risk thinking in the past?

SID: Whilst it is fair to say the risk of a pandemic was not identified as one of our top risks, a major business disruption has been one of the scenarios we have considered and tested. Our contingency planning has stood up well – in part because we have a stable organisation and a strong risk management function and the plans have been robustly tested.

Hanif: What have the last few weeks meant for your role as Senior Independent Director?

SID: I have been much busier, for sure. One aspect has been supporting the Chairman and acting as a sounding board for him. There have been many more conversations with him as you would expect.

Another change is that I have had more discussion with the other directors, acting as a conduit to the Chairman for their broader concerns and what they think is important. This has been an interesting change in focus from occasionally discussing with them their exceptional concerns.

Hanif: Looking ahead, what changes might the current experience mean for the board in future when the pandemic is behind us?

SID: We won't be lapsing back to the old ways of doing this by default, that's for sure. As a board, we will undertake a 'lessons learnt' review to make sure better ways of working are taken forward. Board meetings are likely to continue to be held in person but we are likely to have some committee meetings by video; this will enable them to be held at the a time that is most appropriate, rather than immediately before board meetings as a convenience.

We will also rethink our approach to low likelihood, high impact risks. These will get greater attention given the huge disruption they cause.

From a day-to-day business perspective, we will give time to two areas: looking at possible changes in customer behavior and what that means for our business and our products, and gearing the business up for a possible recession – which means looking at things such as fraud risk which will heighten.

Hanif: Thank you for a very insightful discussion, that's been very helpful.

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