BOARD PERSPECTIVES:
Risk Oversight

COVID-19'S WORKPLACE DISRUPTION: A TEST OF BOARD RESILIENCY

In a crisis, clear thinking is needed in the boardroom. The unprecedented nature of the COVID-19 pandemic has set in motion one of the most abrupt disruptions in decades, leaving organizations reeling with uncertainty as fear spreads faster than the virus itself.

The Coronavirus Disease 2019 (COVID-19) crisis could very well present the ultimate test of resiliency — for leading companies in every industry, including their boards. How well companies pivot in this environment and in the aftermath could have a lasting effect on their reputations and brands. More importantly, as organizations focus on transitioning their people to a remote workplace, opportunities may come about to learn new ways of doing business for the long term. This is a time when the board can prove its mettle as a strategic adviser to the CEO.

As the pandemic brings many businesses to a halt, the effects of quarantine, isolation and travel restriction strategies are having a brutal impact on the economy and multiple industries, with the financial markets punishing investors with steep declines.

Up to this point, new and total infections, fatality rates, reductions in economic activity, and massive fiscal and monetary measures by the public sector have overshadowed the impact on people in the workplace and what companies must do to sustain operations as best they can under the most extenuating of circumstances. But that is changing fast.

Now that countries, provinces, states and cities are instituting lockdowns, shelter-in-place directives or similar requirements to limit the spread of this highly contagious virus, companies are focused on transitioning their organizations and workforces to environments where their managers and employees will be working remotely for an indeterminable period of time. Given these conditions, what role should the board play as their organizations transition to a distributed workplace?

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Key Considerations

There are a number of items boards should consider acting on as CEOs and organizations grapple with the people-related challenges of the COVID-19 crisis. Ten suggestions for boards are offered below, some of which relate to the basics found in any crisis management playbook. Rather than addressing the decisions associated with navigating an economic slowdown (e.g., downsizing headcount; compensation adjustments; asset divestitures; selling, general and administrative expense cuts; and other options), the focus below is on managing the effects of transitioning to a distributed workplace, including the impact on organizational culture.

Know the board's place at the table. The board's role should be delineated from management's role. Management is responsible for developing and implementing the overall strategy to protect the health of the workforce while putting it in a position to continue to work productively. The board is responsible for advising the management team as it executes the company's response and monitors progress. Directors need to resist getting too hands-on. The CEO's job is tough enough at the moment.

Understand management's internal communications plan. Communications are vital during any crisis. While disclosing the impact of the crisis is certainly important, the most important communications are to the organization's people. What are the plan, objectives and tone of the communications? Is there an appropriate cadence of communications from various leaders so that employees know when to expect messages as opposed to feeling left in the dark? Do internal communications convey empathy to employees? Are they forward-looking to give everyone an idea as to what's happening around the company? In lieu of droning on in negativity, offering something grounding and trustworthy can be valuable in these difficult times.

Ask management how the company's transition to a remote work environment is going. Highly mobile organizations can make the transition to a remote, work-from-home workplace relatively seamlessly — that is, among employees who can work remotely. But this transition can present formidable challenges to organizations that are anchored to their offices and physical facilities. During check-ins with management on crisis response, directors should ask what the company is doing to address the technology, tools and cultural challenges created by the sudden shift to virtual work, if applicable.

Encourage a watchful eye for new leaders who emerge from the fire. These are extraordinary times. Everyone in the organization — from top to bottom — will be battle-tested. Boards should encourage management to watch for those who flourish in this environment and to support them as they provide leadership. History teaches us about many generations of leaders who have been steeled by extraordinary events. This fluid environment creates a unique opportunity for team members to shine and show what they are made of.

When the sun rises, request that management conduct a post-crisis assessment in the cool of day. For companies unprepared for this crisis, a process should be put in place to capture the lessons learned in real time. Before memories fade, company plans and procedures for navigating abrupt business disruptions — including a global pandemic — should be updated using these lessons. And, as stated above, the employees who took the initiative to lead should be noted.

Ensure that the organization focuses on its customers. The crisis may present opportunities to deepen relationships with customers. Now is the time for out-of-the-box thinking on how to help customers, particularly those that may be struggling to survive. This will help to differentiate the companies that are flexible and agile from those that are not.

Point out the opportunity to improve remote work policies and procedures. Whether deployed selectively or mandated outright, decisions to work remotely — beyond present remote arrangements in normal circumstances — offer an opportunity to learn how to ensure that such arrangements work effectively and efficiently in the future. These lessons may be invaluable for companies as the trend toward telework continues to evolve, worker flexibility programs expand, and the volume is turned up on improving quality of life.

Suggest that management make it a priority to regroup on a regular basis. Keeping everyone on the same page in a remote environment requires special attention. The unique stresses, pressures and concerns the COVID-19 crisis presents to the organization's people create a difficult environment for preserving morale. Whether as a small group, the whole team or even through one-on-one interactions, remote workers should "meet" at least weekly to stay in touch and ensure that everyone is on the same page about specific expectations, project deliverables and timelines while using the tools the organization has available. It is especially helpful when those tools allow for audio-visual capabilities, as nonverbal cues and body language that are only possible to recognize through face-to-face communications are an important part of human interactions.

As the "touch" in the workplace is removed, the "trust" between colleagues and senior leadership becomes even more important. A workplace founded on trust can be a powerful motivating force and offers an opportunity for leaders to celebrate achievements through electronic tools that create awareness of success, build motivation and develop social involvement. In uncertain times, it is good for employees to experience recognition of positive actions and a strong focus on the future from their leaders.

Ask the question: When the crisis passes, what will we have learned about how we do business? Two years from now when the CEO and executive team look back on this crisis, what will they observe? Will they recognize that what they learned from the temporary transitions, as discussed above, served as a catalyst for accelerated workplace design? Will what they have learned inform ways of altering company strategy, including how the company does business and goes to market? Will the lessons from the crisis alter management's views regarding the organization's real estate needs? These important questions point to the power of technology to transform how and where people work.

Ask another question: Will our people be more or less loyal based on how we managed the crisis? The crisis presents an opportunity for leaders to let their people know that the company truly cares about them and their well-being. Their actions in both word and deed carry the possibility of strengthening the culture. Does the company's response to the crisis meet this test?

The COVID-19 crisis is a new test of resiliency for directors, managers and employees alike, and everyone must learn how to meet it together, with a focus on continuous improvement, shared values and mutual trust. It also presents a test of leadership. Prioritizing and reprioritizing tasks and activities is going to be a necessary art for most organizations over the next several weeks. Keeping teams focused on the greatest issues and risks while avoiding needless distractions, positioning themselves to ramp back up to normal operations, and building a culture of trust and empathy is the name of the game.

Note: A more complete discussion of this topic, including examples, is available at www.protiviti.com/US-en/insights/whitepaper-BPRO126-COVID-19-workplace-disruption.

Question for Boards

Given the risks inherent in the entity's operations, boards of directors may want to consider the above points in advising the CEO on the people side of the COVID-19 crisis.

How Protiviti Can Help

As the COVID-19 pandemic continues to disrupt business activity across the globe, organizations are reconfiguring the workplace and adopting new business practices to align with social distancing, stay-in-place directives and other public health protocols. As they do so, they are confronting questions related to their resiliency in shifting to a distributed workplace, adopting appropriate security measures around the enabling technologies they choose to deploy, and implementing ongoing changes in business models and processes affecting how they interact with people in the aftermath of the crisis. Protiviti has the experience, know-how and expertise to help companies navigate these challenges. Companies can benefit from working with our professionals who share their values and have knowledge and understanding of the technologies they deploy. Our people are fully operational as our firm functions remotely during this crisis.

Audit Committee Self-Assessment Questions

In these dynamic times, it is best practice for boards and their standing committees and individual directors to self-assess their performance periodically and formulate actionable plans to improve board performance based on the results of that process. To that end, audit committees should consider the illustrative questions we have made available at **www.protiviti.com/US-en/ insights/bulletin-assessment-questions-audit-committees**. *These comprehensive questions consider the committee's composition, charter, agenda and focus, and may be customized to fit the committee's assessment objectives in light of current challenges the company is facing.*

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