

Is Your Board Prepared For the Impact of COVID-19?

It is always the Board's responsibility to make plans that protect the organization and its stakeholders from harm. Until the COVID-19 impact is better understood it is impossible to make conclusions about how good – or bad – the situation may be.

As the COVID-19 virus moves into North America, NOW is the time to execute good governance responsibility.

Four Greatest Risks to Every Organization

1. Supply chain disruption

Supplies out of Asia (including food, components, autos, and technology) are already disrupted and the ripple effects are being realized. Without Board contingency planning, organizations will find themselves unable to continue with parts or all their business.

2. Demand disruption

Big industries are already being disrupted. Travel is one of the largest industries in the world with one in ten people working in the business. Airlines and cruise lines are highly leveraged, and similarly the impact of much lower demand across all industries may be impossible for some organizations to bear. Boards are working with their management teams to identify potential disruptors with serious impact.

3. Labor disruption

Front line service workers will be at greatest risk. Sales Reps and those working in the service industry who regularly interact with customers will be at risk. It will be very difficult for many businesses to continue if labor disruptions are substantial.

4. Financial disruption

Financial disruption is the ultimate impact for all organizations. As supplies, demand and labor are negatively impacted, business revenues, personal incomes, donations and even funding will be impacted. Careful planning at the Board level is required to ensure organizations remain sustainable.

Steps to Boardroom Preparedness

Assess

Ask for a report from the leadership team on the potential threats to the organization caused by COVID-19. The minimum checklist for the items to be reported include supply chain, demand, labor and financial impact. The Board or a Committee of the Board should meet with leadership to review and discuss.

Plan

With risk factors identified, direct the leadership team to prepare plans for mitigating the risks that are serious. It's common to identify degrees of impact, e.g., worst case, best case and projected scenarios. Where no mitigation of the risk exists, plans for dealing with the implications should be developed. The Board should be fully informed of these plans and formally approve the approach.

Disclose

Boards of organizations required to disclose business changes should be working with management to do so. Public companies and others are required by policy to report business changes and the projected impact. Boards should begin working with the management team to communicate appropriately.

Communicate

Immediately institute a formal communication process that provides regular COVID-19 status updates. These updates to the Board should include situational changes, planning progress and execution results. The Board should be consistently current with the organization's status regarding COVID-19.

For specific questions regarding Board preparedness, good governance practices, and executive search needs, reach out to the DHR Global Board & CEO Practice.



Mike Magsig
Global Managing Partner
mmagsig@dhrinternational.com
203.912.7200



Mary Matthews
Partner
mmatthews@dhrinternational.com
917.881.9445



Heather Smith
Partner
hsmith@dhrinternational.com
847.347.4429