

# Insight - Hard landing for the boardroom?

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If and when a vaccine is found to combat Covid-19, customer and stakeholder expectations are likely to be different. The pandemic has exposed the vulnerability of the planet and its people to non-human influences, and the ability of humans to make matters worse as well as better.

THE view from many a boardroom was elevated.

Picture windows offered a different perspective from the mundane goings on below.

For most, even the worries of global warming and extreme weather events seemed distant.

Any impact on corporate performance was difficult to measure and involved too much crystal ball gazing – far easier to wait and see.

The auditors may have said something in passing, but we shouldn't encourage them to dwell on the topic.

That dirty work "Provisions" might get mentioned, and then shareholders will make a noise.

Anyway, the CEO seems more concerned about short-term plans and the prospect of a strategic acquisition to accelerate results and boost the share price.

Let's just make sure we manage cash flows and keep an eye on borrowings.

Business as usual – keeps things on an even keel.

That was the approach in many a boardroom until Covid-19 knocked on the door.

Suddenly, directors found themselves face-to-face with the real world and discovered it a hard place to be.

Customers for products and services evaporated. Supply chains were disrupted. The same happened to corporate cash flows.

Borrowings thought to be manageable became life-threatening burdens.

The business model that sustained the company for so long might not be workable in future.

Lockdowns, furlough schemes, down-sizing, social distancing, became words in the newly normal vocabulary.

If and when a vaccine is found to combat Covid-19, customer and stakeholder expectations are likely to be different.

The pandemic has exposed the vulnerability of the planet and its people to non-human influences, and the ability of humans to make matters worse as well as better.

Human health issues will be a continuing concern for many, but environmental issues caused by humans will remain key risks, and receive increased attention as stakeholder awareness has been sensitised.

This is truly a challenging time for directors.

Unfortunately, directors can no longer have that quiet word on the side with a trusted colleague.

They must struggle to work out which face in a dozen boxes on their laptop screen is the one talking.

That's especially difficult when the screen and sound go on and off, and the boxes keep moving around.

Intense concentration is needed.

For some directors, the risks and demands will prove too much.

For those that continue and wish to act responsibly in a very new world, they will have to take stock of what is expected of them.

The standard of care for a director in any company or organisation, large or small, will not change, and it would be foolish to think the Courts will be lenient.

So, exercise independent judgement:

- > Think for yourself, use your own judgement, even if you're not an independent director;
- > Take advice, consider the work of others, and be responsible for the decisions you make;
- > Take appropriate professional counsel (you may fail in your duty if you don't);

> Always evaluate advice received – slavish reliance on advice is not acceptable, even when it comes from senior management;

> Ensure the company records show your deliberations, not just your decisions.

– The standard of care for a director is enshrined in the Companies Act 2016.

Let me put it in plain language:

What you should know, what you should find out, and the decisions you make should be consistent with:

> Your own level of general knowledge, skill and experience, plus

> The level of general knowledge, skill and experience reasonably expected of someone acting as a director in the same circumstances. But, remember board decisions are made collectively, so:

> Bring everything you have to the table;

> Recognise gaps in the collective skills, knowledge and experience of the board; and

> Take sensible steps to fill those gaps.

The new normal will be complex.

Tried and tested models will not necessarily apply.

There will be no body of established examples to follow, so there may be no basis for a compliance-based approach.

The best directors will be remembered for the fact they have stood up, dusted themselves off, and moved forward in a new world.

Fish have returned to the canals of Venice, so I am confident good companies will survive led by thoughtful boards of directors.

The views expressed in this article are the writer's own.

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