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Boards Strategies for Navigating Crises in a Volatile World[^]

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To be alive is to incur risk. Directors should expect uncertainty, challenges and difficult situations. When certain risks crystalize, for example the insolvency of a company, legal provisions apply. There are procedures to be followed and specialists to whom one can turn. Individual and shared risks can often be insured against.

The term crisis is sometimes overused. When data breaches occur it may take some time to assess whether a loss of information is inconvenient or catastrophic. Some challenges have serious consequences for people and the planet. Where there is a window of opportunity to take mitigating action, but responses are slow or inadequate, we have the makings of a crisis.

Mankind faces situations, from antimicrobial resistance to extreme weather events that are sometimes referred to as crises. Unlike situations that might suddenly and unexpectedly arise, certain of these threats have been long predicted.

They need to be addressed by a combination of activities by multiple parties over a longer-time period than past emergencies that could be quickly tackled by crisis management teams. Their implications are such as to require more than “business as usual responses”.

Compared with normal levels of change, uncertainty and time pressure, crisis situations can make different demands upon board members. Some directors may be better equipped to handle them than others. Inappropriate responses can increase the negative impacts of crises. Appropriate handling and learning from them may create positive benefits.

Are current crisis management practices fit for purpose? Is there a crisis in corporate governance in terms of its ability to cope with uncertainty and marketplace turbulence, and a challenge such as climate change that requires collective and collaborative action?

The term “crisis” should not be used lightly, as difficult issues appear on many board agendas. Strategic importance, complexity, level of threat and the nature of implications could be among the criteria for deciding if a matter should be referred to a board.

Hopefully, crisis management and disaster recovery policies and arrangements are in place and activated before a calamity arises or a danger crystalizes. Directors may need to react quickly to a hack or other digital catastrophe, a natural or man-made disaster, or an existential threat such as the competitive adoption of a better business model.

Both proactive and reactive steps may have to be taken, especially in multi-faceted areas such as climate change, global warming and sustainability. In these arenas identifying acceptable board advisers can be problematic.

The implications of a single disaster can be profound. It might involve short, medium and longer term environmental, financial, health and other consequences. Social media can increase public awareness of an incident and amplify reputational and other damage. It can also enable warnings and guidance to be issued.

Stakeholder and wider public attention is now devoted to situations that may be inter-related. These are sometimes described as crises and/or emergencies to gain the attention of people and organisations likely to be impacted by them. Such threats and their implications may be shared by most, if not all, companies. They may also require collective responses.

Environmental, climate change, cyber and other threats can have consequences for the planet as a whole. Addressing them may require shared leadership and collaboration across national borders and other boundaries as well as within them.

Many directors and boards struggle to understand these multiple and inter-related challenges, and their accompanying opportunities and possibilities. As a consequence, we may face a crisis of governance when confronting concerns such as climate change and sustainability.

Do we have unrealistic expectations of what can be achieved by a relatively limited group of very similar people selected in a previous era? They may meet for a relatively short time once a month, every two months or quarterly to consider agenda items set out in an annual calendar of meetings and topics of which they often have limited knowledge and experience.

Can such a small group presiding over a large enterprise that may operate internationally in a variety of markets cope with the challenges they face, which can vary over the life-cycle of a crisis? How can we ensure that legal, regulatory and governance frameworks are aligned? Can they handle possible consequences and how stakeholders might react?

Have we reached the limits of the ability of our current approaches to address a complex issue such as climate change and meet stakeholder requirements? Should new models and practices be adopted and better support provided?

Should board leadership move on from leveraging corporate resources to utilising collective capabilities and wider value chains? How can corporate governance become more capable, flexible, representative and resilient? Should we focus more on anticipation and response?

Are new competences, practices and systems thinking needed? Is more extensive crisis communications, governance and collaboration experience required? Should more directors be appointed who have been tried and tested in crisis situations? To whom should boards turn for advice on the effectiveness and efficiency of arrangements for dealing with the different forms of crisis that can emerge?

Are many corporate boards and some Governments overlooking the human, social and environmental impacts of current approaches to growth and development? How should we assess board performance during crises and uncertainty? Should we include criteria specifically related to climate change, sustainability and the handling of difficult situations?

Despite the possibilities for alternative approaches that might better reflect their aspirations and context, many boards are reluctant to adopt new models of business, governance, operation, organisation and work. Many corporate governance practices seem a hindrance rather than a help, especially in relation to crises, complex issues and severe challenges?

Who should be involved in handling crises that may impact upon the work of multiple committees and also require board involvement, direction and oversight? Who will add value and authority without causing unnecessary delay? How should the modus operandi change when directors are confronted with crisis situations?

Delegation to a crisis management team may concern those who are not involved. It can lead to recrimination when interests are ignored and/or there are allegations that the wrong calls have been made. Director development activities should include crisis case study reviews of options, actions taken and their consequences for different stakeholders.

Many boards need to review their strategies, policies and practices for managing existential risks and crises, and review their sources of crisis counsel. Are they taking individual and collective steps to monitor related trends, assess and mitigate their impacts, address their root causes and seize related opportunities?

What do boards have access to that could help others to handle shared threats? What expertise and experience do boards and their advisors have of handling crises? Might helping others to understand and cope represent a business opportunity?

How many boards recognise that the corporate and collective activities of some companies represent a threat to themselves, external stakeholders and life on our planet? What could and should they do, individually and collaboratively, to mitigate risks they cause for others?

Certain crises can arise because of malevolence. Might digitally enabled networks and their governance be taken over by hackers? Will collaborative arrangements, law enforcement agencies, and corporate, national and international laws and regulations be able to cope?

There are many questions to address. Many companies need more agile, diverse and fast moving approaches that can better respond to crises; and evolve and mutate to benefit from innovation and accommodate new options and possibilities.

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An experienced chairman of award winning companies and vision holder of successful transformation programmes, Colin is the author of over 60 books and reports and he has spoken at over 300 international events. He has also held public appointments at local, regional and national level and professorial appointments in Europe, North and South America, Africa, the Middle East, India and China. He was educated at the London School of Economics, London Business School, UNISA and the Universities of Aston, Chicago and Southern California. He is a fellow of seven chartered bodies and obtained first place prizes in the final exams of three professions. He obtained the CSR Lifetime Achievement Award at the 2018 CSR Leadership Summit. Details of his most recent books and reports can be found on: <http://www.policypublications.com/>