



# Past experiences, future impact

**Chairs' research report**

December 2020

# Respond

## Accelerated strategic change to respond to the crisis

When COVID-19 arrived in New Zealand, the Government quickly imposed one of the world's toughest lockdowns. This meant boards were forced to adapt, adjust and respond with agility amidst a rapidly changing situation both domestically and internationally.

The new reality meant traditional ways of working needed to be modified – lengthy board papers were reduced to just a few pages, and meetings using virtual platforms became frequent and often arranged at short notice. Boards across the country rose to the challenge, quickly adapting their processes, responding in real-time and most importantly, supporting their people through the uncertain environment they were all navigating.

### Command centre

#### Board processes

Amid the chaos, boards needed to adjust their established processes. The rapid changes brought on by the pandemic required them to be dynamic and agile, with a focus on protecting and providing support to their people, staff and stakeholders.

While this support was critical, boards needed to remain cognisant of their requirement to maintain a degree of independence and not overstep into operational management. Our findings suggest chairs were able to maintain this separation, balancing the needs of their people with the pillars of strong and effective governance.

The shift to using virtual tools for meetings meant they occurred on an as-required basis, more immediately and more frequently than traditional processes typically allow. Changes and iterations to documents and projects occurred in real-time with involvement from management where required. The adoption of new ways of working also extended to board-level decision-making,

and judgement calls were made under urgency with greater efficiency. However, in some cases the rapidly changing requirements introduced by the Government in response to the pandemic replaced decisions a board would normally have control over.

#### Agility in decision-making

Chairs reflected on a new approach to decision-making, with boards operating in a more flexible and responsive manner. Shorter virtual meetings, where verbal briefings were preferred over the standard board papers, supplemented by frequent communication (outside of board meetings) between chairs, directors and management teams drove efficient decision-making in response to the crisis.

For some boards, decisions were delegated to and owned by newly established sub-committees. This approach meant relevant expertise and skill-sets were aligned with priority areas for the business. In addition, a delegated approach to decision-making meant the workload was shared across all directors, further enabling decisions to be made in a timely manner.

#### Accelerated digitisation

Digital tools meant boards could connect immediately when needed and quickly deal with matters at hand through shorter meetings and condensed agendas to avoid screen fatigue.

While these tools were easy to use, they brought with them their own challenges. Chairs reported that it was harder to interpret body language, read the room and follow social cues compared to face-to-face meetings. Many chairs noted it is during these times of crisis that being together in person as a board is considered the preferred and most effective way of working.



Boards that had previously managed disruptive events prior to COVID-19 were able to **quickly pivot to the 'respond' mode** of operating, allowing them to efficiently tackle a range of issues.

**Grant Frear, Strategy Partner, Deloitte New Zealand**

### **The board's relationship with management**

The importance of an effective working relationship between the chair and CEO with open lines of communication is essential. During the tremendous uncertainty of the pandemic, chairs reported closer and more frequent dialogue with their CEO. Conversations acted as a 'check and balance' for one another, with chairs often proactive in asking their CEO challenging questions while being conscious of not stepping outside their role and hampering executive action. Chairs reported that while at times this approach led to disagreements with the CEO, it also forged greater trust between them.

Several chairs noted the crisis brought boards and management together, with greater collaboration and meaningful two-way communication flows. Management teams communicated more with boards over this time, and their direct updates from the front line of the business helped inform decision-making.

### **Value of diverse perspectives and extensive governance backgrounds**

Many of the chairs interviewed spoke about the importance of having diversity at the board table. They said that having diversity of thought, broad perspectives on issues and a variety of experience and expertise on a board leads to faster and better decisions.

Numerous chairs pointed to the value of having experience in crisis management on the board to help navigate the repercussions of COVID-19. Whether this experience came from the Christchurch or Kaikōura earthquakes, the global financial crisis, or the stock market crash in 1987, the experience of those who had navigated a crisis before was invaluable in dealing with the uncertainty of the pandemic and providing guidance to the board.



There is a business resiliency risk related to executive team talent retention driven by sustained border closures. **The conversation is not only about recruiting offshore labour**, it's also about being mindful of New Zealand's relatively small domestic talent pool for executive leadership and retaining the talent already here.

**Richard Dorset, Financial Advisory Services Lead Partner, Deloitte New Zealand**

COVID-19 has provided boards with a unique opportunity to consider an alternate route forward, maintaining and building on the agility experienced during lockdown. Chairs suggest boards should be encouraged to challenge themselves as well as management to determine what is important to their organisation, and to consider how to embed these new practices and ways of working into the business.

## People and talent

COVID-19 acted as a reminder for everyone that an organisation's greatest asset is its people. Regardless of industry or business size, the health and wellbeing of individuals became more important than ever in 2020.

### Health and safety

All chairs noted health and safety was a priority on the board's agenda – for most, it was already on the radar and COVID-19 pushed the topic to the forefront.

Meeting regulatory requirements as a PCBU (Person Conducting a Business or Undertaking) proved challenging during lockdowns when it was difficult to understand the working conditions of team members. Checking in with team members, supplying equipment to assist with home office set-ups and use of dedicated health and safety committees (many were already established) were some initiatives used as a means of mitigating the challenges in this space.

Mental health is an area boards are paying increasing attention to, as remote working and lockdowns heightened stress levels for many people. Organisations went above and beyond to ensure they offered substantial and sufficient support for their people.

### Talent

For many organisations, the pandemic highlighted both top talent and gaps at the management and board level. Those which had already been investing in their talent found the pandemic response reinforced their talent strategy and recruitment decisions.

Chairs spoke of hiring experts to assist with areas such as investor relations, people management and digital transformation as an immediate way to cover talent gaps and support both the pandemic response and future considerations. Some organisations redeployed team members to under-resourced areas of the business in the short term to ensure they retained their people.

Concerns were raised about overseas talent who had been recruited to New Zealand prior to the COVID-19 disruption. Additionally, chairs have concerns around sourcing the right expertise with border constraints, particularly in industries which traditionally rely on overseas talent to fill roles.

COVID-19 has challenged the responsibilities of employers for the wellbeing of their people, particularly around the psychosocial response. **Boards have an opportunity to set a new tone from the top** redefining their role as employer beyond just a set of commercial and economic parameters.

**Thorsten Engel, Health Lead Partner, Deloitte New Zealand**

Thinking ahead, boards and executive teams will be considering what the pandemic means for talent in the future and who they need on their teams as they move ahead and look to drive the business forward in the 'new normal'. It has highlighted the need to ensure local talent is brought through the pipeline and that opportunities are provided to learn from overseas experts.

### Strategy

The pandemic required boards to refocus and strategise in order to adapt to the evolving situation. Boards used this time of uncertainty to test and validate their strategy and provide clarity of focus and purpose – which chairs reported as both exhilarating and exhausting.

While some boards saw their organisational strategy withstand the disruption brought on by COVID-19, others say the pandemic acted as a catalyst for achieving faster progress and impetus to implement change. For organisations that either had benefits-driven initiatives in the pipeline or had started them, the crisis provided the urgency to implement these projects more quickly.

Irrespective of industry, chairs say the pandemic provided a licence to change and challenge the status quo and stressed this opportunity should not be wasted.



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