



# Leveraging the Board in Times of Crisis



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2 days ago



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*There is perhaps no situation that proves the worth of a board – particularly one with outside directors – more than a crisis with extraordinary impact and near-complete lack of precedent such as the one we are experiencing at the moment. Making use of the shared experience of your board members is of the essence now. This article describes how to best leverage a board in times of crisis for business and family wellbeing.*

*For the past six weeks, we have been working with family businesses across the world (as board members, coaches and advisors), helping them assess the impact of this crisis, and design effective coping measures for the short and long term. We want to share our key learnings from these exchanges in an effort to support your family and your business as we move forward in these difficult times.*

*Our recommendations pertain to the board level and describe the board's responsibility in any crisis, such as the current pandemic (in addition to everything you are and have been doing already).*

## **Setting the Frame**

Perhaps the most important task of the board is defining the assumptions under which people in the organization should plan and to give family members clear expectations – and remember that all of these have long-term consequences.

### **1. Duration and Extent**

How long will the crisis last (e.g., < 6 months <12 months, <18 months)? What is the assumed shape of the curve of the impact (i.e., when will we be hit the hardest – could it be more than one spike, and when will that occur, and for how long, when do we expect recovery and how do we adequately prepare for all of it)? Recognise that a basic law of firefighting is the “delayed effect”: The flames you see in this very moment are those that originated half an hour ago, and the fire you will see an hour from now is exponentially worse.

### **2. Business Model**

Do we need to make a radical change in how we do business in order to survive (e.g., changing our customer base from restaurants to individual customers or a channel that directly sells to households)? Are there any opportunities upon which we can capitalize in the current environment, without violating our moral code (e.g., talent acquisition)?

### **3. Workforce**

What is our philosophy regarding how we treat our people (e.g., lay-offs, salary cuts, furloughs, sick leave policies etc.)?

### **4. Stakeholders**

How do we, in alignment with our values, treat our key stakeholders like customers and suppliers (e.g., extended return periods and generous receivables policies for customers, flexible payables

policies, depending on our ability)?

## **Sufficient and Effective Processes**

*Ensuring the processes inside the company are sufficient for dealing with the crisis.*

- 1.** In a multi-unit company, implement crisis teams at the corporate as well as unit levels to coordinate information and best practices.
- 2.** Put in place a process for monitoring and responding to potential PR/reputational issues.
- 3.** Develop and staff a group (not of board members) dedicated to defining, executing and monitoring policies around employee hygiene, working conditions, sending home high-risk employees, limiting the number of people being able to enter certain areas.

## **Monitoring and Driving Progress**

*Making sure adequate progress is being made as events unfold at a rapid pace. Start having weekly or bi-weekly board phone calls to:*

- 1.** Measure progress, in particular, tracking whether – and which – plans have been developed, and then continuously monitoring whether those plans are being implemented.
- 2.** Continuously make needed changes to the frame or other elements of the plan as new information unfolds.
- 3.** Encourage senior leadership and appreciate their loyalty and hard work.
- 4.** Make sure activities are coordinated across the whole organization.
- 5.** Receive and discuss reports on employee, customer, supplier issues and other crisis-related risks.
- 6.** Closely monitor financial performance, particularly cash-flow, and take action as appropriate.
- 7.** Like any good board practice, post-action debriefs are critical to learning.

## **Communication**

*Making sure adequate progress is being made as events unfold at a rapid pace*

### **1. Shareholders**

Reassuring and communicating with shareholders, either directly or through the CEO.

### **2. Stakeholders**

Reassuring and appreciating employees, either directly or through the CEO; this includes staying in close contact with the CEO to check on their emotional state (the primary worry here is about them being burnt out).

### **3. Family**

Having the appropriate emotional messaging and staying connected with family members using the variety of technological platforms available (text, call, zoom/skype, email).

### **Please Consider These Caveats:**

- **Check Your Biases:** One mistake people often make in contending with a crisis of this type is that they set their frame based on their desires regarding how they want to treat people, e.g., you may be reluctant to let people go, which leads you to convince yourself that this is a short-term issue when it very likely is not (if you have people you know need to leave, it could be the opposite as well!).
- **Groupthink:** This is related to the first caveat, make sure that at the board level, board members actively challenge ideas, so that everybody is not jumping on the same incorrect bandwagon.
- **Consider a Full Stop:** An axiom of crisis management holds that when you drive into an impermeable wall of fog, the sensible reaction is to come to a full stop, and then slowly accelerate to an optimal speed for the situation. This could be translated into “hardships upfront,” and then manage your rate of acceleration to a proper organizational tempo, size, etc. Unfortunately, management has the tendency to start with small actions and then increase their intensity. This is dangerous – and untenable from a moral point of view (*g.*, it

unrealistically gives people false hopes and keeps the people you will likely lay off from being able to find new employment in a timely manner).

- **Operational Involvement:** Nose in, hands out – don't get too involved in the details.
- **Stopping Momentum:** Because boards tend to have reviewing and accountability functions, the first reaction is often to be critical of suggestions brought forth by management. Instead, boards should encourage and approve any proactive initiative taken by management. In a crisis, the right timing of acting is more critical than choosing the ways and means. This is especially true when situations are rapidly changing and new actions will, in all likelihood, have to be taken in short order.
- **Candour:** Underestimating the importance of candour and participation in setting the frame can compromise decisions and execution, (e.g., bad board process can be seen when a single member dominates the group either verbally or by overly emotional behaviour to the point where other board members are reticent with the truth).
- **Flexible Mindset:** Our assumptions should not be set in stone: as new information comes in the frame will likely change.

When managed correctly, including being calm under fire, crises can lead to enhanced long-term commitment and cohesion among stakeholders and particularly the ownership group. It is a strange thing – though mostly true, that we learn most from critical, painful and difficult situations, and not from the good times we enjoyed.

One thing to keep in mind is that while we can actively support the company during this crisis, the board should avoid taking measures that threaten ownership cohesion, and when you have to take such actions, they need to be handled with the highest levels of sensitivity. For example, if dividend reductions might be likely, it is advisable to warn owners as early as possible, and also to reassure them that such actions would not be taken without extensive board consideration.

You have hard work coming your way, and you don't have a Board to encourage you as your CEO does. You need to keep yourself grounded and aligned, and you need to figure out whatever personal actions you need to take to achieve that. One good practice is to set a personal expectation for how much time every day you will disconnect from the crisis and the business

(and this does not include while you sleep!).

And remember, even though we're practising social distancing, you need to stay connected with others – there is no such thing as communicating too often in these times.

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