

Strategy & Corporate Finance Practice

Boards of directors in the tunnel of the coronavirus crisis

There are areas that boards and their chairs should prioritize when guiding their organizations through unprecedented uncertainty.

by Martin Hirt, Celia Huber, Frithjof Lund, and Nina Spielmann



Few boards of directors had a playbook for managing the crisis we face today.¹ Now, even fewer have a clear perspective on when and how their organizations will emerge from the tunnel the coronavirus pandemic has forced them to enter. The light at its end is very dim. Uncertainty is high for most sectors and businesses, with boards and management teams struggling to find solid ground, which makes it all the more vital that boards are deliberate about where they focus their attention.

Based on conversations with leading chairs around the world, we recently outlined reflections on how boards can add the most value to their organizations in a major crisis, such as the current coronavirus crisis. These conversations have inspired this summary of practical highlights and, perhaps somewhat provocatively, three recommendations for chairs and their boards to consider.

1. Don't increase management's burden

Your CEO and the management team are under huge pressure to handle the rapidly evolving and potentially escalating issues the crisis is throwing at them. What management needs most from the board right now is a strong mandate to handle short-term actions and directors' support as it makes difficult decisions. But we see many boards heading in the opposite direction, requesting weekly updates—even though some chairs find these meetings of limited value. Such meetings may, of course, be required for some organizations that face a clear and present danger (such as a liquidity shortage) or an urgent, institution-altering decision (such as accepting a government's support package). For most, though, these interactions divert precious management time that should be spent on handling the crisis and planning ahead.

Instead, a board should urge management to develop a strategic crisis-action plan that would

guide the organization's response across all relevant time horizons and simply request the same standard reports on the up-to-date scenarios and actions that management reviews. These reports will keep the board abreast of the major issues the management team is working on, what scenarios it is considering, and what actions it is planning to take.² If needed, the board can intervene and request more information to stress-test the plans, but even these interactions will then, by definition, be more focused and deliberate.

2. Augment management capacity

During the heat of a crisis, time is precious, and management teams are forced into trade-offs between handling the immediate action plans and communicating with stakeholders. This is one area in which a board can provide valuable assistance. Specifically, boards could take on the task of interacting with shareholders, governments, regulators, debt holders, employees, or major customers.

For example, many boards have directors with experience in serving in government or regulatory agencies. Those directors could pair up with senior managers to meet regulators for discussions of the organization's pandemic response, giving the CEO much needed flexibility. Likewise, those with deep finance experience, such as chairs of audit committees, could support the CFO in meeting with rating agencies or debt holders. Naturally, it is critical that the board and management team explicitly agree on who engages with which stakeholders for what purpose.

3. Frame the postcrisis strategy

Every crisis has an end. The light at the end of this tunnel will eventually appear—sooner for some than others. The big questions for many organizations will

¹ Martin Hirt, Celia Huber, Frithjof Lund, and Nina Spielmann, "Boards in the time of coronavirus," April 2020, McKinsey.com.

² See Yuval Atsmon, Chris Bradley, Martin Hirt, Mihir Mysore, Nicholas Northcote, Sven Smit, and Robert Uhlener, "Getting ahead of the next stage of the coronavirus crisis," April 2020, McKinsey.com.

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then be, “How will my industry and my ecosystem be reshaped by this crisis, and what strategies should our organization pursue to emerge as a leader?”

While management teams focus on immediate survival or planning for the reconstruction phase, board directors should leverage their experience, professional networks, and industry understanding to outline how their organizations’ future vision, strategy, and corresponding operating model may need to change in the postpandemic era. Developing such a perspective now will enable a board to challenge short-term management actions constructively while providing a foundation for the strategic review that most organizations are bound to undertake in the wake of the crisis.

This big-picture work will help management develop an organization’s posture and broad direction of travel—the vision of the future and the big thematic ideas that will guide its strategic response. Management can then start to pursue that direction when it emerges from the tunnel of the crisis, once uncertainty diminishes and the next normal becomes clearer. This is probably the area where boards can add the most value in guiding their organizations through the crisis. Strategy definition is the job of the

management team, but the board can provide a clear and compelling frame to help accelerate the process.

Boards have a special responsibility to guide their organizations safely through this period of unprecedented uncertainty. When you look back at this crisis in a few years’ time, what will you wish you had done as a board member? The decisions you make in the next few days on how you work with, support, and stretch your management team will likely make a big difference to your answer.

Ask yourself these questions:

- How can we stay current on the management team’s crisis response without taxing executives’ already-packed agendas?
- What specific activities can board directors take on to augment management capacity?
- What should be the organization’s strategic posture for the postcrisis world, and how can we encourage the management team to align all decisions with that broad direction of travel?

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