

# Your Post-Crisis Board Evaluation

by Paul Winum, Jeff Kirschner and Deborah Rubin

---

**The crises and social challenges facing corporations in 2020 have been more than just existential threats. They have also been an invaluable education for managers and boards from experience—the world’s toughest but most instructive teacher. Wise boards will take this opportunity to reshape their board evaluation procedures and questions to gain value from the lessons learned in battling and coming back from crisis.**

---

Boards of directors and management teams have faced unprecedented challenges this year. First, they are navigating a global pandemic and economic crisis and its aftermath. COVID-19 forced companies to quickly adapt and alter the way they go to market and serve their customers. Second, directors and management teams are also coming to terms with the reality of systematic racism and unnecessary police violence against people of color within the U.S. and the actions they will direct their companies to take in response.

More than ever before, directors will need to serve as catalysts and role models for driving toward greater diversity, inclusion, and belonging within their boards, the companies they serve, and the broader communities of which they are a part.

Every organization has been wrestling with how the health and economic crises have impacted their company, including the way that the board and management team have navigated the ensuing threats and opportunities. Consider conducting an after-action review of the board and management team’s responses to the COVID-19 crisis.

Capturing the collective views of board members regarding what went well, what did not, insights about the board, the company, and the senior team and the implications for moving forward allows the board to ensure that lessons learned can be fully leveraged.

This process also increases the ability of the company to build upon the opportunities and strengths that

emerged. One approach to doing this is to incorporate the review into the board’s annual evaluation process. Here are some suggestions about how to do that.

**Evaluation for 2020 should focus on how effectively the board met the challenges posed by the pandemic and addressing diversity and inclusion.**

□ *What to include in the board evaluation.* A standard board evaluation, to be thorough, should include inquiry about each dimension of governance that contributes to effective discharge of a board’s oversight responsibility. These include the board’s purpose and strategy, composition and structure, risk management and safeguards, board culture, board and CEO partnership, and board renewal.

However, this year has brought unique circumstances presented by both the COVID-19 pandemic and the social unrest stemming from ongoing and systemic racial inequities. Evaluation for 2020 should focus on how effectively the board met the challenges posed by the pandemic and the implications of addressing systemic inequities and promoting diversity and inclusion.

Given the rapidly emerging challenges and opportunities companies have navigated over this year, questions for directors to ask themselves include:

- What value did the company need our board to contribute, and how well did we deliver that value?
- In addition to good governance, what did we bring to the company that significantly helped?
- What could we have done differently that would have brought even greater, more relevant, or more timely impact?
- What are the implications for how our board needs to operate in the future?

---

**Paul Winum and Deborah Rubin** are co-heads of RHR International’s Board and CEO Services practice. **Jeff Kirschner** is a partner at RHR. [[www.rhrinternational.com](http://www.rhrinternational.com)]

## Evaluation Of Governance Now

### How Has Crisis Changed Our Governance Priorities?

RHR's board evaluation process is designed to identify strengths and opportunities around the following key dimensions:

<b>Purpose and Strategy</b>	What is the value the board needs to deliver to the enterprise?
<b>Composition and Structure</b>	What expertise does your board need to deliver its value proposition and through what structures?
<b>Risk Management and Safeguards</b>	How well does your board protect the enterprise from risks and threats?
<b>Board Culture</b>	How well do your board members work together?
<b>Board and CEO Partnership</b>	How do the board and CEO collaborate in playing their respective roles?
<b>Board Leadership</b>	How is your board led by its chairman and lead director?
<b>Board Renewal</b>	How does your board continually evolve and improve its effectiveness?

Many directors found that the pandemic forced an ongoing reality check regarding how robust and relevant fundamental aspects of the business remained. While many companies are finding ways to weather the storm or even thrive, capturing the value of these changes will be important.

- What did the pandemic teach us about our company's strategy, business model, capital structure, and supply-chain dependencies?
- What are the implications for us in each of these areas moving forward?
- Given what we know about our company, the business environment, and the market trends, what should we accelerate or revise in terms of major decisions or actions we had been considering?
- How do we ensure ongoing alignment within the board and with the senior team as we continue to engage in scenario planning?
- **Risk management and emergencies.** A small

but significant number of companies had anticipated some of the potential risks, and had plans in place to cover situations similar to the pandemic. Others were caught flatfooted. Sometimes this level of discipline was driven by the company's chief risk officer or other senior executives, while sometimes this preparation was initiated by the board. Questions to ask include:

- How well did the company respond to the crisis?
- What did it fail to anticipate?
- How quickly did it adapt?
- What, if any, adjustments need to be made in our company's risk assessment process and emergency preparedness?
- Do we know where potential emerging risks are moving forward, and have we taken the necessary steps to mitigate them?
- Finally, do we have a well-defined emergency succession plan in place (not just a name in an envelope)?

□ **Technology.** Many companies found themselves moving almost overnight on actions involving technology (working remotely, or reaching customers virtually) that they had weighed for months, if not years. Some were already leveraging technology to a high degree as part of their business model, and had launched significant investments in this area or established processes for working virtually. These firms faced considerably less disruption.

Even those who found this adjustment to be a heavy lift are realizing that a virtual model may remain viable, at least in part, for their company moving forward. Many are choosing to keep some form of this virtual approach until a vaccine is found.

□ Given this, another area to probe among directors is—are our technology capabilities, IT infrastructure, and cybersecurity protections adequate for what we will need in the future?

□ What investments should we make to ensure we will have the technology capabilities we will need to serve our customers and equip our employees?

□ Are there acquisitions that make sense for us to quickly build those capabilities?

### **Directors learned that there was a broad range of leadership effectiveness demonstrated by those in senior roles and in the talent pipeline.**

□ **Talent.** The pandemic offered an unexpected test of how leaders in companies respond in a crisis, how well they navigate through ambiguity to make timely and sound decisions, and their ability to engage, focus, and rally others. Directors have learned that there was often a broad range of leadership effectiveness demonstrated by those in senior roles and in the talent pipeline. Some executives showed exceptional abilities to lead, while others became stymied. Questions for directors to ask themselves:

□ What have we learned about the strengths and development needs of mission-critical talent?

□ What changes need to be made in our approach to recruiting, retaining, and evaluating talent?

□ Given that many boards and CEOs are coming to the same realization about their talent pipelines,

what steps do we need to take to keep those who really stood out during these times to ensure that they are not poached to fill gaps in other companies?

□ Finally, how well do we understand the company's culture in creating a common and compelling purpose, embracing diversity, and creating a sense of belonging?

### **Boards have always expected their directors to be prepared for meetings and ready to contribute, but the pace of events took this to an even higher level.**

□ **Board composition.** The rapid pace of decision-making placed a higher expectation on board members. They must remain current, have a sound understanding of the business and its financial aspects, and be able to quickly home in on what is important. Companies also looked to their directors to help leverage their networks to understand what other companies were seeing, how they were responding, and to help quickly connect senior leaders to needed expertise or resources.

While boards have always expected their directors to be prepared for meetings and ready to contribute, the pace of events took this need to an even higher level.

□ Given this experience, what have we learned about the strengths and future implications for our board's composition?

□ What do we need to solve for in terms of the composition of the board? This includes expertise and acumen relevant to our business, strength of the directors' networks on behalf of the company, and the diversity of the board.

□ What targeted education or development do we need for our current board members?

□ **Board culture.** The rapid switch to working virtually during this pandemic changed boards as well as their companies. In addition to the logistics involved, board members were forced to engage with one another in high-stakes circumstances without all of the interpersonal cues that were available during in-person meetings. Board leaders noted the new

challenge of detecting the nuances and managing the interpersonal dynamics in a virtual environment, all while making rapid and significant decisions.

Key questions in this evaluation should include:

- What are the lessons we learned and can apply in the future about our board’s culture and how we communicate and make decisions in a virtual operating mode?

- What should we build upon, and what do we need to change?

**Does the company’s culture support or inhibit an inclusive, diverse environment? What are the implications for board composition?**

- **Diversity and inclusion.** The Black Lives Matter movement highlighted the board’s responsibility for ensuring their companies are recruiting and growing leaders, developing strategies, and shaping cultures that promote diversity, inclusion, and a shared sense of belonging. For companies that have already implemented these action steps, the board evaluation represents an opportunity to revisit the effectiveness of the company’s diversity and inclusion programs and reestablish their importance. For those that are coming up to speed, there will need to be a call to action and a clearly articulated commitment from the top of the house.

Some relevant questions for the board evaluation to examine include:

- How does the company’s culture support or inhibit an inclusive, diverse work environment?

- What policies do we need in place to ensure the company’s processes for recruitment, development and promotion are fair and unbiased?

- What are the company’s development and philanthropic efforts in the minority community?

- Does the company have a minority supplier program, and if so, how effective is it?

- What is the board’s need for education on this most critical topic?

- How will the company put a concrete action plan into place to ensure accountability for its diversity and inclusion imperative?

- What are the implications of diversity, equity, and inclusion on the board’s composition and culture?

**Set aside sufficient time on the board agenda to discuss the results of the evaluation and their reactions, identify next steps, and shape follow-up.**

- **Process recommendations.** First and foremost, as with any standard board evaluation, ensuring the utmost candor from directors is critical, and the process for soliciting input will have a significant impact on this.

Whether performed by a lead director, nominating and governance committee, or an outside facilitator, board members must feel that their evaluation input will be kept in confidence. The process for summarizing the themes must also be balanced and unfiltered by other agendas. Given that board evaluations this year will most likely need to be conducted virtually rather than in-person, the video or audio technology selected must be completely secure.

Second, it is recommended that confidential management input be included from those managers who have interacted with the board and its committees. That input can be collected through both an online survey and through interviews conducted by the point person doing the evaluation.

It is easy to overlook the shadow the board casts on the senior team for good or ill and to miss opportunities for the board to make an even greater contribution to the company. Senior executives offer perspective and insights on board functioning and impact that typically do not emerge (or the implications are less clear) when input is solely limited to board members.

Third, it is recommended that a self-evaluation be completed by each director assessing how they contributed during the year, and how they might add more value in the future. This encourages self-reflection, creates the expectation that evolution is a natural part of the role, and sets the stage for candid, constructive discussion on how to maximize their value to the board moving forward.

While not yet completed by the majority of boards,

there is also a best-practice trend toward soliciting feedback for individual directors as part of the board-renewal process.

Finally, the board should set aside sufficient time on the agenda to discuss the results of the evaluation and their reactions, identify next steps, and shape a follow-up process to track the execution of the action steps. This discussion may take more time than might be typical when discussing the results of past board evaluations.

Depending upon what the evaluation highlights, the next steps may range from diving more deeply into a key issue as a board, to specific actions that can be implemented by a committee, board leadership, or individual directors. Ensure that the board actually

evolves based on what it has learned from the process.

An annual board evaluation is a standard step taken by most boards. Rethinking the approach to this year's process will help to ensure that the boards and companies do not just survive these experiences, but are able to adapt and thrive because of them.

Implementing these recommendations will enable a board to do a meaningful, relevant assessment of both its strengths and opportunities. It furthers board value and contribution in guiding and overseeing the company it is charged with directing. Individual directors, board leaders, and the board as a whole need to ensure they are evolving faster, or at least as quickly, as the companies they govern. ■