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“In Disruption There Is Opportunity” – Corporate Directors’ Take-Aways from COVID-19

**Susan Keating, CEO of WomenCorporateDirectors, on
New Working Models for Boards**

NEW YORK – April 30, 2020 – The relationship between boards and management is undergoing a striking shift as many companies take an enormous financial hit from the COVID-19 crisis, says **Susan C. Keating**, CEO of the **WomenCorporateDirectors Foundation (WCD)**.

Leading the world’s largest organization of women board members, Keating has spoken with hundreds of corporate directors since the onset of the pandemic. These talks reveal new patterns in board oversight, important lessons learned, and some surprising bright spots amid the largely devastating financial news.

1. Cutting executive pay isn’t that simple.

“Compensation committees on boards are meeting overtime to discuss the issue of executive pay, and many chairs have taken this issue to the full board for a decision,” Keating says. “This is related to the areas of share buybacks and dividends, which many companies have stopped in recent weeks.”

“There is a priority on conserving cash, and in some companies both the CEO and the board, and sometimes other executive officers, are forgoing their salaries or fees or taking pay cuts.

“Salary reductions – starting at the top and then moving down the organization – are a way for everyone to share the pain in order to temporarily reduce costs and help avoid permanent layoffs.

“At the same time, boards recognize that the management team is working extremely hard under unprecedented circumstances – and they want to incentivize that. **There is a lot of pressure to reduce compensation, but for some companies and their culture, it’s a much more complicated decision.**”

“Directors want to acknowledge that executive compensation this year may not be about financial performance, but about strategic performance in keeping the business afloat. They may not want to reduce incentives to top team members who are so critical to getting through this crisis.”

2. Despite cost cutting, cybersecurity is getting a big spend.

“Many directors are expecting their companies to come out of this crisis much stronger in cyber and data security than before,” Keating observes.

“With millions of employees working from home, sharing sensitive and proprietary company information from laptops, iPads, and phones, endpoint security has become a top priority for both management and boards,” says Keating.

“COVID-19-related cyberattacks have exploded with so many people having to shift quickly to less secure devices. **Even in this time of cash preservation, directors see a heavier investment in cybersecurity as essential** not only now but also for the long term. Boards see an opportunity to close gaps that needed to be fixed before the pandemic, especially with the vulnerability of remote devices, the increased use of wifi, and training employees around how to avoid risk.”

3. Supply chain scenario-planning was a weak spot for many companies.

“**The biggest blind spot directors see is not having done scenario-planning around the potential impact of a pandemic,**” Keating observes. “Many boards believed they had taken proper steps to diversify suppliers and mitigate risk as part of their strategic planning, but did not foresee the extraordinary impact on earnings or the scale of its impact on the global supply chain with a worldwide pandemic. This has truly revealed unexpected vulnerabilities across all industries.”

“Companies have become much more engaged with their suppliers in recent years, and the trade war with China had already prompted many to shift their sourcing to different regions. But the current severe shortages and delays – with very few plan B’s – have had boards asking management for sophisticated scenario-planning to address the domino effect of these kinds of extreme conditions across multiple steps in their supply chain.”

4. “In crisis there is opportunity.” COVID-19 is driving discussions around new strategies and new business and cost models.

A common theme Keating is hearing from directors is “never waste a crisis.” This black swan event has opened the door for companies to have candid conversations that may not have happened otherwise.

“For years, many businesses have been enjoying quarter after quarter of robust growth, and our reality today is forcing a new discipline,” says Keating. “Boards must rethink everything on the balance sheet – future revenue scenarios, underlying cost drivers, supply chain considerations, and focus more on cash management and liquidity.”

“But they also view this as a time of great opportunity to innovate and accelerate the company forward. Companies that were only partially coming into a digital model are suddenly leapfrogging quarters of planning to meet what’s required today. To position themselves for the longer term, **the most successful companies will be exploring new top-line revenue opportunities or M&A deals as markets shake out.**”

“Also, while activist shareholders have been notably subdued since the pandemic, as their portfolio companies are struggling to survive, glimmers of recovery will once again spur activity there. Companies can expect opportunism from this group in future quarters, giving corporates greater competition as there is more blood in the water from companies who haven’t been able to make it through the crisis.”

5. Boards are meeting much more frequently and expanding their role.

“Directors have said that their boards do not want to become operational, but boards are more involved with tactical advice right now,” says Keating. “Boards are working to strike the right balance with management. However, once the crisis is over many are assuming a return to the pre-virus norms.”

“Boards have moved from convening once a quarter to once a week or biweekly through virtual meetings, with weekly updates from the CEO or CFO. Audit committees are much more active with new risk assessments. Compensation committees are more active in addressing layoffs, furloughs, and pay actions for management and directors.

“Boards are leaning in on strategy changes and pivots, worst-case scenario planning, liquidity issues, risks, and opportunities for the business.”

6. What management needs most is the board’s support.

Directors believe that the best thing they can do to support the CEO and senior executives right now is to help them focus on survival – and let the less important things wait. **“Streamlining requests through the CEO and CFO and removing less critical demands and concerns lets management focus on the all-important tasks of keeping the business running,”** says Keating.

“Management is under siege. They need to feel that boards are behind them during this 24/7 existential crisis.”

“Interpersonal relationships are highly important during this time, and directors want CEOs to be candid about their top concerns,” says Keating. “They are instituting an “open door policy” so CEOs can call whenever they need to run an idea past them.”

“Boards also want to communicate that they know management doesn’t have all the answers. If one approach to help get out of this isn’t working, that’s OK – we can course-correct and try something else. This isn’t failing.”

“Boards today are having some of the most meaningful conversations they have ever had about their companies and their business,” says Keating. “This is painful for many, but also a transformative time. WCD is providing our members with essential programming and opportunities to share and learn from each other during this critical phase.”

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About WomenCorporateDirectors Education and Development Foundation, Inc.

The WomenCorporateDirectors Education and Development Foundation, Inc. (WCD) is the only global membership organization and community of women corporate directors. A 501(c)(3) not-for-profit organization, WCD has 79 chapters around the world. The aggregate market capitalization of public companies on whose boards WCD members serve is over \$8 trillion. In addition, WCD members serve on numerous boards of large private and family-run companies globally.

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WCD developed **WCDirect** virtual programming to provide greater connectivity for our global members and to facilitate real-time discussion on the issues that are top of mind with corporate directors today.

Upcoming WCDirect events include:

Tuesday, May 5, 2020 - 12:00 p.m. to 1:00 p.m. (U.S. EDT)

Leadership in a Time of Crisis – a Live Conversation with Connie Collingsworth, COO, Bill & Melinda Gates Foundation (WCD member), and Marsha “Marty” Evans, Rear Admiral U.S. Navy (retired), former CEO, American Red Cross, and former Director, Lehman Brothers, Office Depot, Huntsman Corp and Weight Watchers International (WCD chapter chair)

Sample recent events:

April 28, 2020

Starting Over...Going Back to Square One – A Live Conversation with Edie Weiner, President and CEO, The Future Hunters

April 23, 2020

Supply Chain Disrupted: Crisis Management to Re-Start (sponsored by Oliver Wyman)

April 16, 2020

Executive Compensation in the Time of COVID-19 (sponsored by Pearl Meyer)

April 9, 2020

Primer Programa Virtual en Español: El Impacto de la Crisis en las Juntas Directivas

April 7, 2020

The Outlook for the U.S. Economy in 2020 and Beyond led by KPMG Chief Economist, Constance Hunter

March 31, 2020

Everything You Need to Know About the U.S. Federal Financial Response to the COVID-19 Crisis, presented Ashley Davis, founder, partner, and lead principal at West Front Strategies

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