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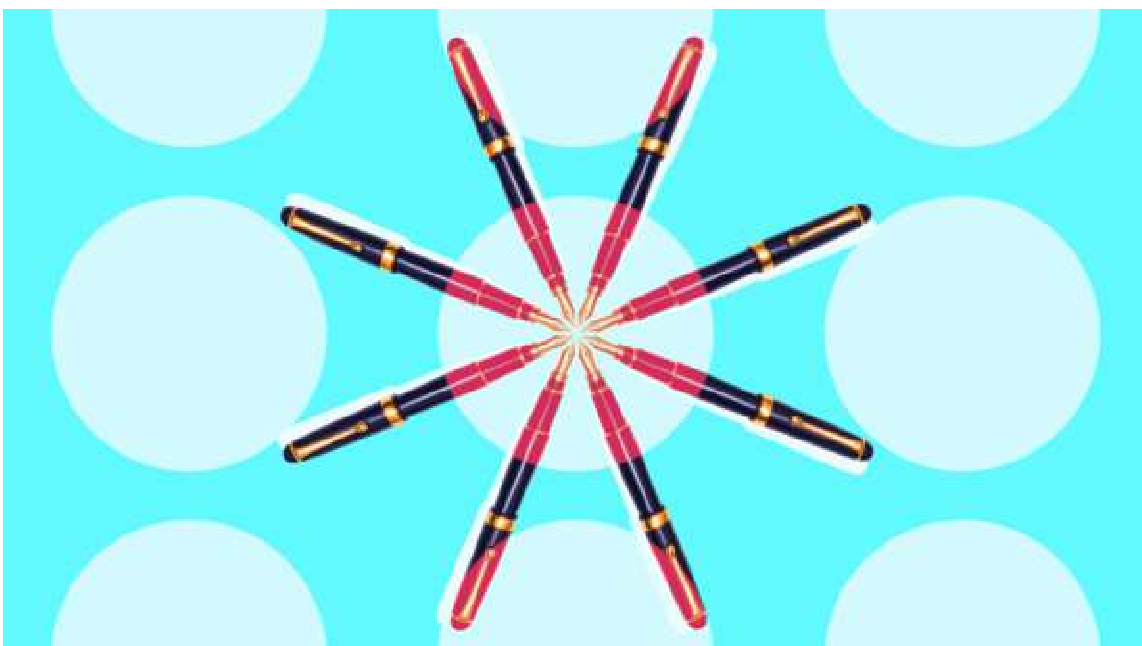

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Some say that corporate boards only have value when companies are in crisis. If that is true, the 2020 global pandemic presents a moment for corporate boards to step up like no other.

Management teams and their boards are juggling a wide array of concerns right now, from the health of their workforces to volatile equity markets to shuttered debt markets. Furthermore, many economists and policy makers have slashed GDP forecasts and now portend a deep global recession. So, what should boards do in a moment of crisis such as this?

Based on my decade-long experience serving on the boards of large, complex, global corporations, I've put together 10 questions to help guide boards at this time. Roughly half of them pertain to operations — basically, keeping the company's lights on — and the other half relate to the financial state of the company.

What can you do to ensure the health and safety of your workforce?

Regardless of what type of business your company is in, the most pressing issue on the board's agenda should be the health and safety of the workforce amid the Covid-19 crisis. First, make sure employees have access to reliable information about the virus through trusted, official sources. Next, through detailed metrics and analysis most boards have regular oversight of company safety considerations, including worker injuries or fatalities. This information should give board members visibility on the pandemic's impact on both full-time and sub-contracted employee health and safety on a real-time basis. If the company offers health insurance, boards can review if any modifications or adjustments need to be made so employees can care for themselves and their families.

What is your CEO succession plan?

A centerpiece of the board mandate is CEO succession. That planning should have already determined who would step in as an interim CEO in the event of an emergency. In light of a global health crisis, CEO succession should be in even sharper focus because of the real risk of not the only the CEO, but also the nominated replacement and other senior members of the executive team falling ill and being unavailable to fulfill their duties for several weeks. Boards may want to consider nominating additional possible caretaker CEOs to step in, in the event that this scenario were to occur.

What is the company's ability to cover near-term expenses?

Every company, even those whose goods and services are in high demand, such as food producers and retailers, has to examine its liquidity position; that is, its ability to cover near-term operating expenses and obligations, such as payroll and servicing shorter maturity debt. This is a real concern particularly at a time when around 16% of U.S. corporations are thought to be "zombie" companies — that is, not having the cashflows to even cover the interest costs on the debts they owe. Even in the best managed companies, corporate budgets may suddenly be blown and recently approved financial plans have to be redrawn.

During periods of uncertainty, access to capital, and in particular the debt markets, becomes ever more central to the board agenda. For more exposed companies with weak balance sheets and considerable leverage, boards and management are confronted with having to make cuts in personnel or projects for the company to stay afloat, without cutting so deep into the muscle of the company that a future turnaround is severely hampered.

For companies facing a liquidity crunch, the goal is to access capital in a cost-effective way, which may include options such as revolving credit, newly negotiated loans, or accessing publicly traded debt markets. These companies also have to confront a jump in the cost of borrowing, the threat of credit rating downgrades and the risk that they simply cannot raise debt, as capital markets are constrained.

For companies with stronger balance sheets, management and the board must consider whether or not to take advantage of the historically low interest environment by borrowing cheaply, tapping credit lines or leveraging the balance sheet to longer maturities.

What tradeoffs do we have to make around payroll expenses?

An altogether more difficult question is about operational expense: Here, boards may have to weigh a series of difficult tradeoffs. Will it be necessary to lay off or furlough staff as customer demand and the company's top-line revenue fall precipitously? How do those decisions affect your people as well as the company's long-term plans for growth? Are there other strategies to consider before turning to layoffs? Companies across the U.S. are already making these hard calls, as evidenced by U.S. jobless claims having reached a record 17 million by April 9.

Do we need to adjust our supply chains?

Global supply chains have been materially disrupted by aggressive policy responses to Covid-19 in the form of closed borders and travel bans. While the true impact of supply chain disruptions will only become clear as companies report their earnings over time, the fact that both critical equipment and items of convenience are imported from China and Europe — from which trade is curtailed — suggests we could see shortages. According to a survey conducted between February 22 and March 5 by the Institute for Supply Management (ISM), nearly 75% of U.S. businesses have experienced supply chain disruption because of Covid-19.

Supply chain interruptions will force corporations to contrast the cost and efficiency benefits offered by globalized supply chains against more robust — but likely more expensive — domestic supply chains. The board must also weigh the risk that the domestic supply chain (often supported by an array of smaller companies) is itself hampered by workers becoming sick or needing to self-isolate.

Are we prepared to work remotely for an extended period of time?

Government orders for people to "shelter in place and work from home" have materially accelerated the board-level discussion around remote workforces, and generated a multitude of urgent questions, including: What are our policies for how to manage a remote team? How should we think about workforce productivity? How can we best mitigate cyber risk and data privacy breaches? How will we accommodate people balancing childcare or eldercare responsibilities while they work? And of course, how do we oversee health concerns including the mental well-being of all employees?

How do we keep our company culture alive?

Boards must be alert to the need to defend the company culture and keep it strong in the face of heightened uncertainty. Despite the unusual circumstances in which companies find themselves today, a strong culture, backed up by solid, empathetic leadership, is part of what's necessary to ensure that the company remains on solid ground. By actively managing the behaviors that are part of your company culture, employees will be more committed and feel like they are part of a team contributing to a collective effort to help address a global crisis.

How are we interacting with the financial markets?

On the financial side, some boards have already approved cuts in dividends, share-buybacks, and capital expenditures, and undoubtedly other companies will follow suit. Reflecting this, Wall Street analysts and investors have adjusted many corporate earnings forecasts downward, thereby forecasting weak performance by companies in their revenue and growth potential. Boards are conscious that providing clarity to the market — and broader stakeholders — on a company's next steps places their company at a distinct advantage over companies that are slow to articulate a response

How strong is our underlying business model?

Beyond the near-term liquidity question, there is a more fundamental matter of a company's solvency. Board members must assess the long-term prospects of a company's underlying business model, and the ability of a company to pay their debts and have cash to pay for future needs. In the current environment, for example, many airlines and cruise line companies face both a short-term liquidity crunch and a longer-term threat to their business model as the market doubts a swift rebound in demand for travel services.

Financial capital market disruptions and collapse in stock market values of the sorts we've all witnessed over the past month means boards must also be attuned to the buyout opportunities — as a basis for consolidation, market share gain, or driving the company strategy over the long-term. But stock market gyrations should also serve as a reminder to boards and companies to remain vigilant to the risk of the incursion of activist investors (who may look to make a quick return) and to the broader risk that the company they oversee could be bought itself.

Are we behaving as a socially responsible organization?

Allocating resources is another area where boards can take action and support management. The human toll of Covid-19 and the "war-like" conditions it has created have forced companies to redeploy factors of production and valuable company assets, often at cost or even free. For example, in the U.S., UK, and Germany, some hotels have been repurposed as makeshift hospitals. Walmart reconstituted the parking lots of some of its stores to act as testing facilities. Google assigned 1,700 engineers to develop a website to screen test for the coronavirus. In other cases, corporations have begun to manufacture personal protective equipment (PPE) and masks as governments start to assert special rules that allow the use of private corporate assets to ramp up manufacturing capacity. These asset re-deployments likely remain in the audit purview of the board.

Amid all of these pressures, boards, together with senior leadership, must traverse the delicate balancing act of thinking both long term and short term, and board members must not lose sight of their longer-term strategic oversight responsibilities. After all, crises can offer rare opportunities for innovation to not only defend the core business, but also explore investments in adjacencies and moonshots.

Most of all, boards should help form a realistic view on whether a downdraft in the company share price — and indeed the economy in its entirety — is a temporary blip or reflects a more permanent trend or industry change. This will help determine immediate action as well as a vision for what to do when shut-down orders are rescinded and it's time for a company to restart under more normal circumstances.

By most indications, the next several quarters, if not years, will be tough for boards, senior leaders, and the companies they run. Boards do have a special role to play. They will help to recast the corporate role in the future global economy post–Covid-19. For now, these questions can serve as a guide for boards and senior business leaders as they navigate the current circumstances.

Dambisa Moyo is an international economist who serves on the boards of the 3M Corporation and Chevron.

