AGENDA

A Financial Times Service

Opinion

Boards Coming Up Short on Crisis Management

June 10, 2013

***Marcy Syms** is a director at **Rite Aid** and former CEO of **Syms Corp**. Co-authoring this article is **Davia Temin**, CEO of crisis management firm **Temin and Company**.*

Boards are facing crises of a magnitude never before seen. How corporate boards are responding to these events reveals much about the character and culture of the organizations they lead. Given the reputational hits many previously well-regarded companies like **JPMorgan Chase** have taken, it's clear that many leaders are coming up short.

The truth is that many directors, even those with experience with corporate crises, are ill-prepared for them. Yet, regulators and shareholders alike are increasingly holding boards accountable for oversight of a company's risk management. While a board's reach may not extend to the company's operations, there are steps boards can take to set the right tone for management and help mitigate risk from a crisis.

Identify the right leader of a "crisis committee." Boards often struggle with who is best suited to lead in times of crisis. The right lead director for managing the ongoing governance of a company during "normal" circumstances may not be the best during a crisis event, as was the case – classically – at **BP**. Alternately, there may be a board member aside from the lead director or chair who is perfectly suited to heading up a crisis team, perhaps having gone through a relevant experience. So it's worth considering whether to name a point person on the board who can chair the crisis team or committee. This director can steer the crisis planning team and also, if necessary, be the board's spokesperson.

Conduct a "crisis boot camp" for the board. Directors must know how each board member would act during a crisis. It's helpful for the board to go through scenarios that can help directors better respond to various situations.

Develop a crisis plan for the board and review the organization's crisis plan. The very nature of a crisis is that it's unexpected, yet the value of creating a crisis plan is indispensable. Every organization should have an updated crisis plan that is reviewed by the board. For example, Starbucks has a widely circulated and well-regarded corporate crisis plan. At the same time, boards need to have their own plan, and the board's leadership needs to bring the full board into discussions around potential crises and the risks such events bring.

Build meaningful board relationships – outside the boardroom. Director collegiality and relationships beyond the required meeting attendance are vital to building the structure needed to weather crisis. The most important meeting of a board often isn't in the boardroom, but rather during the lunch or dinner around the meeting. This is the opportunity to learn about each other and become comfortable with each other's values and moral compass.

Establish a base level of trust. Underlying each of these steps is an assumption of complete trust and discretion from each board member. Directors must build or reinforce a foundation of trust to reduce the risk of leaks and other undermining behavior, such as were seen in past **Hewlett-Packard** boards.

As institutions today struggle with how to rebuild their reputational equity, boardrooms are ground zero for where this rebuilding has to start. By taking these steps, companies can move a long way toward being best prepared if a crisis emerges, and most resilient after it unfolds.