

Italian NEDs need to focus boards on medium-term strategies, despite COVID-19

Highlights from a digital gathering for Non-Executive Directors in Italy, hosted by Egon Zehnder

The COVID-19 emergency places companies in an unprecedented situation, which is triggering new ways of organizing people and work, and changing their view of the future. Firms are introducing exceptional measures to cope with the emergency, and doing their best to survive, while guaranteeing their employees' safety, Non-Executive Directors (NEDs) in Italy reveal to Egon Zehnder in a recent digital gathering.

Despite the severity and unexpectedness of COVID-19, NEDs in Italy are proud of the way their boards are responding to the crisis. Firstly, boards have managed to implement a variety of solidarity initiatives within a short time, such as cutting managers' salaries and donating shares to employees. In addition, they have reacted with flexibility and timely measures to secure employees' and customers' health and safety. Thanks to numerous private solidarity initiatives, companies are sometimes taking over the role of the state, both at an operational level, by distributing health and safety equipment for example, and at a structural level, by consciously deciding to maintain business models that thousands of people's jobs rely on.

The recognition of the importance of smooth collaboration with management and the extent of the crisis has cultivated mutual understanding and respect, NEDs tell Egon Zehnder. Meanwhile, companies have succeeded in slimming down bureaucracy while centralizing decisions around the CEO, with the full backing of the board. This has made the decision-making process more fluid and efficient; however, extreme centralization needs to remain limited to exceptional situations - it's time to return to more collegial decisions, share NEDs.

As one NED says, COVID-19 means boards are facing events of extreme severity, such as those events contemplated in stress test scenarios. Although those adverse events are meant to be “plausible”, they’re often dismissed as unrealistic for being so extreme. The recent crisis will hopefully make board members aware that extreme events are not so unlikely and more sensitive to their possible recurrence.

Keeping strategy and sustainability clearly in sight

In recent weeks, it's been necessary for boards to focus on the immediate crisis, while the uncertainty of the current environment has made it too difficult to devise long-term strategies. It's especially still too soon to think about succession plans – now is not a good time to think about changing a CEO who has just handled a significant crisis, several NEDs confide. However, NEDs' role, now more than ever, is to keep boards' focus on medium-term objectives rather than short-term results, regardless of any potential pressure from stakeholders and CEOs, they say. For this, he or she needs to leverage his or her skills so as to protect the team and not to be distracted by the deluge of pandemic-related communication and the many confusing external stresses.

As the initial wave of COVID-19 recedes, boards now need to find a sustainable and resilient way to recover - both from a people and business perspective, assess the impact on financial performance, and restart the business. “Now we need to go back to normal,” says one NED.

On a positive note, many boards have managed to maintain some strategic initiatives they decided on before the COVID-19 emergency and accelerate other measures, particularly those related to technological infrastructure, while at the same time designing alternative future scenarios.

A newborn leader

The corona pandemic has accentuated the potential of smart working, which is largely proving to be a good means to achieve a healthy work-life balance, say NEDs. It has also shown that we should manage workflows differently; managers can no longer see how many hours employees spend at their desks and need instead to agree on clear, concrete and measurable objectives and assess people according to how well they fulfil these objectives and on the quality of their output. In this way, remote working is highlighting the need to reinvent leadership. Or as one NED says, “A new leader is being born.” He or she needs to be connected, courageous, caring, resilient, and a lateral thinker, placing employees’ well-being and safety at the forefront, while motivating those employees who are increasingly growing tired of the current situation. More than anything, a leader needs to create trust and empower his or her team.

Working cohesively yet remotely can be challenging right now. Nevertheless, boards must learn to put the person back in the heart of the organization and think about creating new skills in order to create a different style of organization.

Bank of skills

Inevitably, the growing trend towards remote working and digitalization will prompt the introduction of new ways of organizing people. Therefore, boards need to balance the need between creating more specialized and less localized positions versus making employees more adaptable and ready to change job roles, where necessary, say NEDs. In essence, companies need to evaluate how many full-time employees they need, not only in terms of lay-offs but also in terms of assessing and pooling necessary competencies, creating a kind of “competencies bank”, says one NED.

Being unable to physically see their colleagues in the office changes the way employees assess co-workers and switches their attention instead to the quality of their work and the ability to collaborate remotely. Essentially, the current crisis has been an excellent time to assess talent, recognize people’s value, and highlight their strengths, based on their composure, proactivity and resilience in dealing with a crisis, say NEDs.

The need to assume social responsibility

Ultimately, NEDs recognize the need for cultural change to combine digital transition, economic efficiency and social concerns. However, they worry that the current economic and financial disaster could topple diversity and environment topics from the boards' list of top priorities. "We must immediately accept diversity in new boards of directors, be inclusive, and immediately collaborate," declares one. ESG topics and ESG-related risks should be brought to the board more often, they propose. Indeed, why not create an ESG committee inside the board, they ask? Ultimately, sustainability from the point of view of managing human capital should become a board priority.

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Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

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