

GLOBAL GOVERNANCE

# FUTUREPROOFING POST-PANDEMIC GOVERNANCE

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The tone from the top—whether in a country or a company—affects and suffuses the culture of the place and the wellbeing of its respective stakeholders.

The various tones from the top on pandemic crisis management that we are witnessing both in government and business at every level—global, national, local—reflect the good, the bad, and the ugly in leadership. We are now learning momentous lessons that should become fodder for rebooting and futureproofing ESG or what I like to call ESGT (plus technology) governance post-COVID-19.

Unlike any other global crisis of recent memory, COVID-19 presents a perfect storm of interdependent E (ecological, biological), S (health, safety, supply chain), G (geopolitical, corporate) and T (scientific, cyber, tech) issues intersecting, interconnecting, and impacting one another and of course the overall global economy in unprecedented ways. To paraphrase Sir Winston Churchill—let's not let this unprecedented global pandemic governance and leadership crisis go to waste.

What we are seeing at the core of the COVID-19 management failures is a crisis of governance and leadership on all things ESGT. But there is also hope. It is heartening to see the example of transparent, inclusive, integrated, emotionally intelligent leadership taking place in several countries to the great benefit of their populations – I'm thinking of Germany, Iceland, Taiwan, South Korea, Singapore, New Zealand, Argentina, South Africa. In stark contrast are the variously opaque, arbitrary, disjointed, negligent, or outright destructive examples other national leaders are setting—I'm thinking of the United States, the United Kingdom, Brazil, Russia, Iran and Turkey—to the great risk and detriment of their populations.

Similar observations can be made about corporate leaders and their crisis management or mismanagement of the pandemic. On the one hand, there are the good guys. They are doing everything they can to protect shareholder value and stakeholder interests by not firing employees, providing health and other benefits, finding innovative ways of still doing business, not taking advantage of government handouts that they don't need, etc. In this category, I'm thinking of companies like Salesforce, Marriott, Twitter, Uber, and a few others.

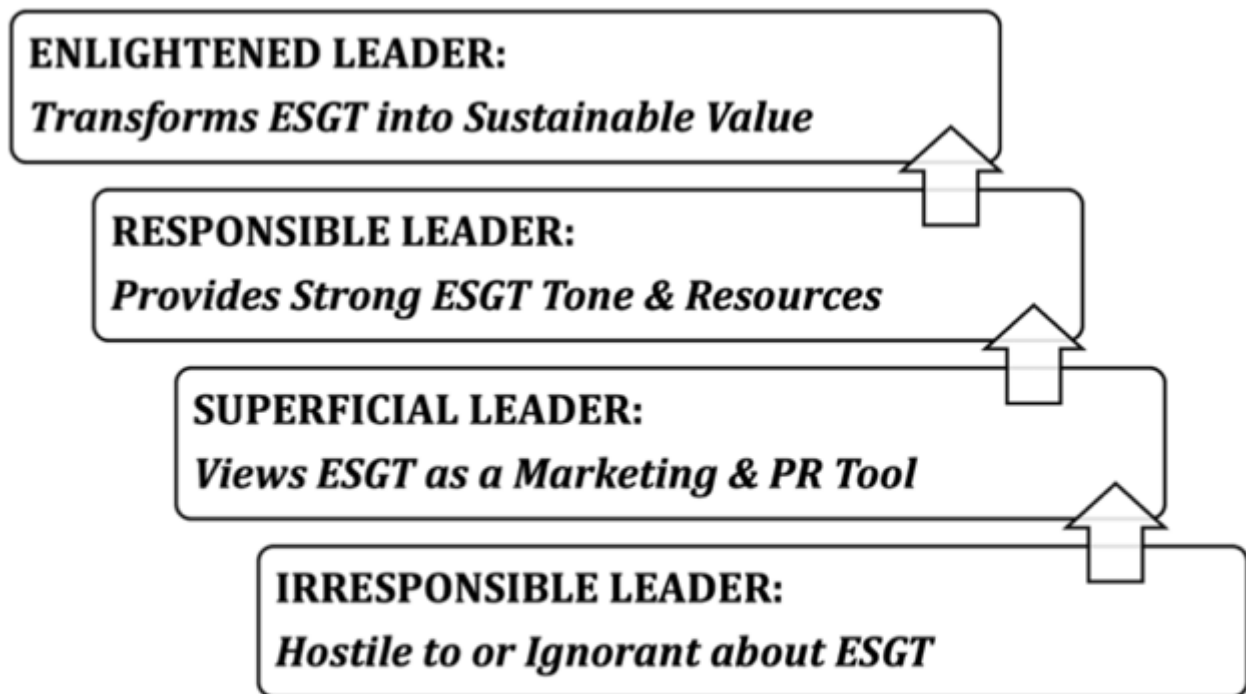
Then there are the corporate leaders who are cutting corners, firing people, leaving them without benefits or—if they are “necessary” workers—treating them poorly and forcing them to work in unsafe conditions without proper protective equipment. I'm thinking of some of the prominent food/meat processing companies like **Smithfield Foods**, warehouse-based businesses like **Amazon** and, quite shockingly, **Disney**—which is apparently firing 100,000 employees while maintaining \$1.5 billion in reserve for executive bonuses due later this year. That doesn't even count the 100 plus publicly traded companies that claimed Small Business Administration “loans” and now have to return them. To see how companies are treating their stakeholders, [check out this ongoing compilation Just Capital has created](#).

And make no mistake about it—how both national and corporate leaders treat their respective stakeholders in this crisis will have serious and long-lasting implications for the reputation, trust, and survival of these leaders post-COVID19.

## EARLY COVID-19 GOVERNANCE LESSONS: RESPONSIBLE VERSUS IRRESPONSIBLE LEADERSHIP

In my book, *Gloom to Boom: How Leaders Transform Risk into Resilience and Value*, I offer a typology of leadership (see Figure 1 below) based on how seriously and effectively a leader considers and/or incorporates key ESGT risks and opportunities into their mission, vision, values and strategy.

What do the best ESGT leaders do? Whether they are national leaders, governors, mayors or corporate leaders, the enlightened and responsible leaders exhibit the best in crisis governance: Transparency, communication (early and often), accurate information fact and science driven policymaking, the use of true experts and deep expertise, broad stakeholder care, non-partisanship, coordinated strategic planning, coordinated tactical execution.



*Figure 8.2* The ESGT leadership typology.

Source: Author and GEC Risk Advisory.

On the other hand, what do more ineffective, ESGT irresponsible leaders have in common? They exhibit the opposite of good crisis governance: opacity, miscommunication (infrequent, haphazard, irrelevant), opinion or ideologically based policymaking, the disdain, rejection or manipulation of experts and expertise, serving narrow stakeholder interests, partisanship, uncoordinated or non-existent strategic planning, and disjointed tactical execution. See a comparison of these styles in Table 1 below.

<b>TABLE 1 CRISIS GOVERNANCE TRAITS OF DIFFERENT KINDS OF LEADERS</b>	
<b>RESPONSIBLE &amp; ENLIGHTENED LEADERS</b>	<b>IRRESPONSIBLE &amp; NEGLIGENT LEADERS</b>
<ol style="list-style-type: none"> <li>1. Transparency</li> <li>2. Communication (early, often)</li> <li>3. Accurate, fact-based information</li> <li>4. Deployment of experts &amp; expertise</li> <li>5. Science/fact-based policymaking</li> <li>6. Full stakeholder ecosystem served</li> <li>7. Non-ideological/non-partisan</li> <li>8. Coordinated strategic planning</li> <li>9. Coordinated tactical execution</li> <li>10. Speak up/listen up culture</li> </ol>	<ol style="list-style-type: none"> <li>1. Opacity</li> <li>2. Miscommunication/non-communication</li> <li>3. Misinformation/false information</li> <li>4. Disdain/rejection of experts &amp; expertise</li> <li>5. Opinion/ideology-based policymaking</li> <li>6. Narrow sliver of stakeholders served</li> <li>7. Ideological/partisan</li> <li>8. Uncoordinated/non-existent strategy</li> <li>9. Haphazard, uncoordinated tactics</li> <li>10. Cram down/retaliatory culture</li> </ol>

We all should study carefully how responsible leaders are addressing this crisis. We should also examine what irresponsible leaders can teach us about what not to do in the face of future crises.

## LIVING IN TURBULENT TIMES

As I discuss in [Chapter 1](#) of *Gloom to Boom*, we are living through an unprecedented time of dramatic tectonic change which I synthesize into the “ten megatrends of our turbulent times” (see Table 2 below).

<b>TABLE 2 THE TEN MEGATRENDS OF OUR TURBULENT TIMES</b>
<ol style="list-style-type: none"> <li>1. The Fourth Industrial Revolution: hurtling through space at the speed of light</li> <li>2. Global trust collapsing: recession or depression?</li> <li>3. A world of extremes: 21st-century ethical leadership paradox</li> <li>4. Complex interconnected risk rising: beware “the purple techno-swan”</li> <li>5. Ecological apocalypse: a decade to oblivion or salvation?</li> <li>6. The new geopolitical abnormal: rumblings or tectonic shift?</li> <li>7. The meteoric rise of “ESG” and the virtual stakeholder: mirage or reality?</li> <li>8. Business as the new global social/moral conscience: fact or fake?</li> <li>9. From hyper-transparency to super-opacity: reputation risk on steroids</li> <li>10. Future fear: utopia, dystopia, life on Mars?</li> </ol>

Global and local risks and crises are not a matter of “if,” they are absolutely a matter of “when.” We need only consult some of the “bibles” of global risk assessment to understand the deep and broad global risks the world is facing in a wide variety of areas—environmental, social, governance or geopolitical, technological and economic. We need only consult the work of the University of Cambridge [Centre for the Study of Existential Risk](#) or the [World Economic Forum](#) list of top ten most likely and top ten most impactful global

risks (see Table 3 below) to realize that large crises are no longer unusual events—complex global/local crises are the new normal.

<b>TABLE 3                      WORLD ECONOMIC FORUM - GLOBAL RISKS REPORT 2020</b>	
<b>TOP TEN MOST LIKELY GLOBAL RISKS</b>	<b>TOP TEN MOST IMPACTFUL GLOBAL RISKS</b>
1. Extreme Weather 2. Climate Action Failure 3. Natural Disasters 4. Biodiversity Loss 5. Human-Made Environmental Disasters 6. Data Fraud or Theft 7. Cyberattacks 8. Water Crises 9. Global Governance Failure 10. Asset Bubbles	1. Climate Action Failure 2. Weapons of Mass Destruction 3. Biodiversity Loss 4. Extreme Weather 5. Water Crises 6. Information Infrastructure Breakdown 7. Natural Disasters 8. Cyberattacks 9. Human-made Environmental Disasters 10. Infectious Diseases

Here’s the thing: COVID-19 is but one manifestation of what is to come. The World Economic Forum Global Risks 2020 Report lists “Infectious Diseases” as the tenth most impactful global risk. What about all of the others listed (the top five of which are climate-change related)? What if one or more were to occur simultaneously? Indeed, more are already underway, just a little slower to manifest themselves than COVID-19. What if we suffered a material cyberattack in the midst of Coronavirus? That wouldn’t manifest itself slowly, that would be an immediate gut punch to the world system.

## FUTUREPROOFING CORPORATE GOVERNANCE POST-COVID-19

Corporate governance (as well as national governance) needs to be rebooted and futureproofed to meet the new normal of our turbulent times.

What does this mean? Below are my immediate prescriptions for corporate boards to think about and adopt as soon as possible. The future is today (or maybe even yesterday) and most boards of directors are woefully unprepared—both structurally and substantively—to deal with the new normal of global interconnected material risk.

The recommendations below while mostly geared at businesses can also be applied at other entities beyond business—nonprofits, universities, even government agencies:

1. Practice Lean-in Governance—no more “friends and family” board members, no more rubber stampers—-independent highly qualified, diverse members; and, no more imperial CEO’s—consider splitting CEO/Chairman roles
2. Restructure the Board and Reboot—Make changes to your board now—not five years from now. Ask:

- o Who's on your board? Only CFO and CEOs? Add a Chief Risk Officer, General Counsel, Chief Ethics/Compliance Officer, Technologist, Sustainability/ESG or Talent expert.
  - o Does your board reflect your customer base? If not, why not?
  - o What's on your board agenda? If ESGT is not on it—make sure it is...regularly.
  - o If you don't have a non-traditional committee for risk, ESG, technology issues, create one now to include strategic ESGT issues, risks, opportunities.
3. Hire Only High Integrity Emotionally Intelligent CEOs—hold them accountable through performance management for a holistic and ESGT integrated business strategy.
  4. Turbocharge Strategic Risk and ESGT/Sustainability Governance—these are no longer once in a while “nice to haves”—these are critical to your business surviving and thriving in a turbulent world.
  5. Incorporate Preparedness into the Permanent Board Agenda—crisis management, business continuity, data protection, must be on the agenda, scenario planning must include the board and a board committee must oversee these topics regularly.

It is sometimes difficult to focus the human mind on risk (especially long-term risk) but it is the urgent job of corporate and government leadership to adapt and change with the times or the times will leave them in the dustbin of history. If the COVID-19 pandemic punch to the global gut doesn't do it, then all hope is lost. I personally refuse to think that humanity is that stupid.

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*The views presented in this article are the author's own and do not necessarily represent the views of any other organization.*