THE LONG-TERM IMPACT OF COVID-19 ON CORPORATE GOVERNANCE

A SERIES ON POST-PANDEMIC GOVERNANCE PRACTICES

The Coronavirus (COVID-19) pandemic is likely to have lasting repercussions for how healthcare enterprises approach corporate governance. Going forward, boards of directors may expect certain traditional governance practices to change in response to the lessons and experiences gained from this crisis:

1. LINES OF AUTHORITY

The board and management will work to provide more clarity on the allocation of decision making between the two parties. The line separating the responsibility of the board from the responsibility of management tends to blur in times of crisis. These parties should work diligently to avoid related confusion.

2. HEIGHTENED LEVEL OF ENGAGEMENT

Boards are likely to retain for the foreseeable future a heightened level of engagement with their governance responsibilities. Such sustained levels of engagement may be necessary to support the organization as operations rebound, and to evaluate broader changes to its business model arising from "lessons learned."

3. OVERSIGHT OF BUSINESS RESILIENCY

The obligation to exercise oversight of business resiliency will become a primary board focus going forward. This seldom-referenced duty speaks to the board's expected role in helping the company "bounce back," by monitoring management's plans to recover from catastrophe and disaster.

4. FOCUS ON RISK ENTERPRISE

The internal prominence of, and degree of oversight expected from, the enterprise risk committee (ERM) may substantially increase. The pandemic has validated the need for strong board involvement in risk identification and disaster response, and in ensuring effectiveness of the current corporate ERM function.

5. OVERSIGHT OF QUALITY/PATIENT SAFETY

Greater system-wide board collaboration with management on quality of care/patient safety matters can be expected. This shift will include greater awareness of related enterprise risks and increased oversight of the resources necessary for emergency preparedness, infection control and regulatory compliance.

6. EXECUTIVE COMPENSATION CHANGES

The board's compensation committee will increase its focus on a variety of important executive pay and benefit concepts that likely will cause a long-term expansion of its agenda. These issues may include building increased discretion into executive programs, striking a new balance between salary and performance components, facilitating mobile leadership and gauging the retention effect of all executive programs.

7. RELIABILITY OF KEY TECHNOLOGY

To ensure reliability and accessibility, directors will want to exercise greater diligence on the acquisition and implementation of key technologies. The board will also want to direct more detailed contingency planning for the possibility that critical technology, equipment or personnel may become unavailable.

8. EMPLOYEE HEALTH AND SAFETY

Addressing employee concerns for workplace health and safety matters will become an important element of the board's oversight of workforce culture. Employee concerns in this regard are likely to remain a key part of business resiliency planning long after the application of a vaccine or other treatment for the virus.

9. RE-IMAGINING CORPORATE COMPLIANCE

Boards may seek greater efficiencies by moving away from traditional vertical "silo" reporting arrangements for compliance officers, to arrangements that seek targeted accountability for, and greater integration amongst, the various management functions that implicate risk-related issues (while still preserving futility bypass options).

10. EXECUTIVE AND DIRECTOR SUCCESSION

Boards will be expected to treat succession matters with an enhanced level of attentiveness and formality in order to provide value to the organization. This duty may include addressing policies and procedures considered insufficient to address the breadth of succession challenges arising from the pandemic.

In the post-pandemic environment, the ultimate corporate governance consideration is the expectation that boards will re-evaluate their governance policies and procedures in light of their crisis experiences. This is essentially self-analysis: *"What have we learned about the way we govern the organization? What do we need to do differently going forward?"*

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