Balancing Governance, Risk Management and Pragmatic Board Decision-Making in Challenging Times- Revisiting What We Know.

Throughout the pandemic, Directors have made difficult decisions for their companies, often with imperfect information about how it would affect the long term success of their business. In hindsight, would we make the same decisions? Possibly not, but we can learn from those decisions and inform our decision making processes in the future.

Hopefully, during the various lulls of the pandemic, we've been able to document in detail the steps we took to weather the crisis and the longer-term business implications that might need reviewing in the future. Many Boards have restructured their businesses, reduced staffing, streamlined goods and services, and widened their target client market and marketing focus. What the company looks like, and how we run it may be fundamentally different from our original strategic plans.

As the effects of the pandemic move into the endemic stage, it's time for Directors to look at where their businesses are today, how they have weathered the storm, and whether long term strategic goals need to shift to meet new trading conditions. Boards should be taking the time to review their long term strategic goals and either validate or re-define what they are and the roadmap to get there.

Many of us will have taken advantage of government support measures during the various phases of the pandemic. Furlough schemes may have helped us retain staff while we were closed, and many of us will have taken advantage of the different financial loan packages offered by governments around the world to support our businesses while trading was slow or non-existent.

Businesses will now be starting to repay those loan schemes, whether their companies have fully recovered from the pandemic or not. This may create additional pressures on business, and Boards will need to consider financial matters carefully.

When signing off on annual financial statements, Directors must confirm that they believe the business is a "going concern". This may be difficult to assess as companies continue to suffer knock-on economic effects from the pandemic. The Board should evaluate the business's financial viability. Board minutes should document that Directors have actively considered the issue and why they believe the company is still a going concern.

Assessing a company's financial well-being should include considering whether the business is insolvent, either from a cash flow or balance sheet perspective. The business may be cash flow solvent but balance sheet insolvent or vice versa. In considering whether a company is a going concern, Directors should be reviewing cash flow and revenue projections and their balance sheet.

In some jurisdictions, these are clearly defined, while they may be less easily determined in others. Understanding the definitions for each in the jurisdictions where you operate is critical. It is equally important to know the implications of being cash flow or balance sheet solvent for your business.

No Director will have every nuance of law and regulation at their fingertips. Directors should seek outside research and advice to assist with decision-making. So, where can you find information on these thorny subjects? Naturally, your financial and legal advisors can help, but there are other sources of information as well. These can include local government agencies, tax authorities and regulators, law and accounting societies, the Institute of Directors, accounting, consultancies and law firms to see what guidance is available. These often offer practical advice and suggestions on various topics and can be helpful for Boards in making informed decisions.

This may seem daunting, but we need to remember that no one expects Directors to have a crystal ball. Will we make the right decisions? Only time will tell. The important thing is that we make considered decisions and document those decisions showing what information we used and why we made the decisions at the time. As long as we do that, and we believe that we have acted in the company's best interests and its wider stakeholders, we'll have fulfilled our duty as Directors.

As we noted in concluding Part 1, in 20 years, people will be more interested in how we guided the business, not whether it took precisely the path we planned.

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