Want your company to weather a crisis? Watch the leadership of the board chair

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It's no secret that the disruptions caused by the COVID-19 pandemic struck corporations with an unprecedented number of business challenges, and even casual observers can note that companies' ability to withstand the stresses of quarantine-era trials varied widely among companies in similar industries and with similar business models. So why the difference in performance?

Research from Colorado State University's College of Business suggests that the type of leadership used by different types of board chairs in may influence success in crisis contexts.

In "Leading the Board in a Crisis: Strategy and Performance Implications of Board Chair Directive Leadership" the Department of Management's Mary Waller and her co-authors found that when a non-CEO chair engaged in a decisive, hands-on leadership style known as directive leadership in response to the crisis, their companies were more likely to create streamlined, simple strategies and fared well. However, when the board was chaired by the company's CEO, that same leadership style wasn't associated with performance advantages.

"During a severe crisis, if the CEO is chairing the board and engaging in directive leadership, it may act to intimidate or silence the beneficial oversight of the board," Waller, who teaches in the College of Business Online MBA program, said On the other hand, with a non-CEO chairing the board during a crisis, that same directive leadership may encourage the oversight capabilities of the board that results in a simplifying of the strategy."

Firms that simplified their business strategies—or engaged in "strategic simplification"—during the pandemic saw better financial performance than those that developed more complicated responses to the unexpected events. Waller chalked up the differences in outcome to the tendency of leaders in crises to plan too far in advance or address too many issues when developing crisis strategies. With the oversight a non-CEO chair provides to moderate those responses, researchers found firms' performance was better.

"It's part of the human condition," she explained. "When we when we see complex crisis situations staring us in the face, our gut instinct often is to try to plan a complex response to it, with lots of contingencies. Planning is good, but there is definitely a point of diminishing return to that complexity during a crisis."

Making time for research during a pandemic

The conclusions stem from surveys sent to board members as the COVID-19 crisis gripped the United States. In ideal circumstances, receiving responses from board members to research-related surveys can be difficult, and soliciting responses during the middle of a pandemic added an additional headwind.

"Who's going to respond to a survey during a crisis?" Waller said. "The chances were pretty low, but we still got a reasonable number of responses. And it was it was pretty random, so there wasn't any identifiable bias concerning who responded and who didn't. It was a large enough sample that we could actually do something with it."

Waller and her co-authors sent surveys to 9,598 directors representing more than 2,000 companies during the initial stages of the pandemic between Apr 28 and May 5, 2020. This coincided with the period state regulations relaxed and companies returned to work. They received responses from 170 directors, representing about 7% of all firms surveyed. After eliminating a few responses for which researchers were unable to obtain necessary secondary data, the respondent pool still represented a statistically significant sampling to analyze.

"To use a data set and survey a reasonable number of organizations and get those surveys back and ask them at the moment what they were experiencing during the COVID crisis was really incredible," Waller said.

Planning for a crisis

The research presents a look into competitive simplification during a crisis that focuses on different implications between CEO and non-CEO chairs' behavior, and finding answers that can help directors weather future crises. While there's an obvious bottom-line advantage for firms to perform under the pressure of a crisis, Waller sees implications that impact more than shareholders and executives. This research provides organizations with another tool to reduce the pressure placed on employees tasked with keeping the firm afloat in a crisis.

"When people are subjected to experiencing crisis after crisis after crisis, they experience stress. They experience burnout. They leave the organization, or even worse, they take all that stress home with them," she said. "They take it out on their families, they become ill.

"There is absolutely no excuse for any organization not to have crisis management training throughout the layers of the organization and a continuously updated crisis management plan," she continued. "Crises are going to keep coming. Ethically and morally, it's absolutely unethical for organizational leadership to continually subject people in an organization to crisis situations without giving them the crisis management training that will help them adapt to any unexpected situation and cope with the stress that these situations bring."

The work is published in the *Journal of Management*.

More information: Ryan Krause et al, Leading the Board in a Crisis: Strategy and Performance Implications of Board Chair Directive Leadership, *Journal of Management* (2022). DOI: 10.1177/01492063221121584

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