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**Corporate Governance Practices and the Pandemic Crisis: UK
Evidence**

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Abstract

Purpose - This article aims to investigate the impact of the COVID-19 pandemic on the corporate governance practices in the United Kingdom. We adopt a case study approach and employ content analysis, using internal and external media releases as well as annual reports to analyse the impact of the pandemic on governance practices.

Design/methodology/approach - The research design is qualitative in nature and adopts a case study approach. HSBC, an international bank, is used as the case study and a content analysis of internal and external information released after the COVID-19 outbreak is employed. Themes arising from the analysis are discussed and recommendations are made.

Findings - Results from the thematic analysis show that firms must be resilient in difficult times, follow sustainable practices and are attentive to the well-being of their employees. Firms must address the adequacy of their IT Infrastructure and assess the IT related risks during these times.

Practical implications – The pandemic crisis triggered unprecedented changes in the manner the firms are governed and managed. The recommendations made by the study have practical implications for firms who can adopt them to be make the business resilient and sustainable.

Originality/value - To the best of the authors' knowledge, this is the first study to explore the impact of the pandemic and analyse firms' responses to the crisis in the corporate governance context. This study contributes to the corporate governance literature by providing insights of the impact of the COVID-19 pandemic.

Keywords COVID-19; Pandemic; Crisis; Corporate Governance; Board of Directors; Stakeholders.

Paper type *Research Paper*

JEL Code: *G3, G30, G38*

1. Introduction

In 2008, the global financial crisis set off a huge liquidity crisis as policy makers scrambled to deliver relief packages to save financial institutions and businesses. It saw the collapse of prominent banks and financial institutions such as Lehman Brothers, Freddie Mac and Fannie Mae, Northern Rock (Wiggins *et al.*, 2019). More than a decade later, the world is paralyzed by the COVID-19 pandemic crisis. A critical point to note here is that the pandemic crisis is vastly different from the 2008 global financial crisis. The COVID-19 pandemic crisis is a health related one and has far-reaching effects not only on the global economies but also on our daily lives.

There are several studies¹ that examine the effects of the global financial crisis on corporate governance. Little is known about the impact of the pandemic crisis on the corporate governance practices of firms. We posit that this study will shed some light on the impact of the pandemic on corporate governance practices of firms. This study contributes to the corporate governance literature by undertaking an analysis of the implications of the pandemic on firms and recommend responses that firms can adopt to combat the pandemic.

Several economists predict a world-wide recession as a result of this pandemic. Figure 1 depicts the impact of the COVID-19 pandemic on the global equity market indices. Governments, central banks, and economic think tanks have stepped in to bail out firms and businesses from total collapse. Policy makers around the world introduced various measures to deal with the impending economic downturns. The IMF has stepped in to provide emergency relief funding to countries that require emergency funds. The managing director of IMF, Kristalina Georgieva states that ‘one-third of the economic losses from the disease will be direct costs: from loss of life, workplace closures, and quarantines. The remaining two-thirds

¹ Please see Allam (2018); Hanafi *et al.*, (2018); Duppati *et al.*,(2019), Scrimgeour and Sune (2019);Vallascas *et al.*,(2017);

will be indirect, reflecting a retrenchment in consumer confidence and business behaviour and a tightening in financial markets.’ The pandemic has brought disruptions to livelihoods, supply chains, consumer spending, employment levels and every aspect of daily life. The recovery pace from the pandemic is largely dependent on the measures and policies undertaken during the crisis.

Figure 1 here

The paper adopts a case study approach to investigate the responses of a firm to the pandemic. We use data published on the company’s website, interim results report and media for the analysis. Finally, based on the analysis of the case study, we propose three recommendations for businesses to adopt.

The paper is organised as follows. Section two provides a brief review of literature on previous pandemics and crisis management models. Section three describes the materials and methods. Section four presents the impact of the pandemic across all the stakeholders, responses adopted by the firm under study and then an analysis of the responses. Section five puts forward the three key recommendations based on the analysis of the case study. Section six concludes.

2. Prior Work

Previous health outbreaks such as the foot and mouth disease, severe acute respiratory syndrome (SARS), bird flu (H5N1) and swine flu (H1N1) affected economies in some form or the other. For example, Wong (2008) and Chen *et al.*, (2020) investigate the impact of SARS on the Hong Kong property market and on the Taiwanese hotel industry, respectively. Lagoarde-Segot and Leoni (2013) examine the effect of pandemics such as AIDS and malaria on poor and developing countries and find that the likelihood of the banking industry collapsing increases in the event of a pandemic. Keogh-Brown *et al.*, (2010) investigate the potential

macroeconomic impact on the UK caused by an influenza pandemic. McNulty and Marcus (2019) discuss the importance and effectiveness of the board efforts during the Ebola outbreak.

The COVID-19 pandemic has disrupted businesses and the economies all over the world. It has unleashed a challenging crisis of a magnitude that mankind has not experienced in recent times. Recent studies by Ramelli and Wagner (2020), and Schoenfeld (2020), examine the impact of investor reactions to stock price changes caused by COVID-19 and on the risk elements in the financial markets, respectively. Izzeldin *et al.*, (2021) investigate the impact of COVID-19 on stock markets across G7 countries and industry sectors and highlight the synchronicity and severity of the pandemic.

Past crisis has shaped and conveyed the importance of crisis management by all stakeholders. Timely and prompt actions will help to contain the impact of any crisis. Crisis management are the steps that stakeholders in firms adopt to deal with a disruptive and unexpected event that threatens the very existence of the firms or industries. It requires the need to re-visit business models and may involve the transformation of all processes and procedures to deal with the event. For example, past crisis such as the Bhopal gas leak (Shrivastava, 1987; Shrivastava *et al.*, 1988) and the economic crisis (Orazalin and Mahmood, 2019; Mio *et al.*, 2016; Ross and Crossan, 2012) led to the formulation of the various phases in crisis management such as the pre-crisis phase followed by the crisis phase and finally the post crisis and/or recovery phase. McNulty and Marcus (2019) divide crises into two phases: the event itself, and the response to it. On the other hand, Seymour and Moore (2000) classify crisis into two, namely, the ‘cobra’ type of crisis where the crisis is totally unexpected, and it is a shock, and the ‘python’ type of crisis is one where the crisis is caused by weak management, bad investments and high costs. Based on Seymour and Moore (2000), the COVID-19 pandemic can be deemed as a ‘cobra’ type of crisis; where the pandemic was unexpected and the shock that it has brought on not only on the sector but to mankind is vast. Scherer and

Voegtlin (2020) illustrate the governance challenges and the role of responsible innovation in the advent of the COVID-19 pandemic. Alpaslan *et al.*, (2009) advocate that the principles of a stakeholder model of corporate governance will lead firms to engage more frequently in crisis management behaviour even if these are not perceived to maximize shareholder value. Likewise, in our study, we propose that the corporate governance mechanism encompassing all the stakeholders will be associated with a more successful crisis management outcome.

Paine (2020) notes that since the start of the pandemic, firms face difficult decisions in terms of satisfying stakeholder expectations. The author argues that boards must pay more attention to all stakeholders and be responsive to their needs. This is critical for the sustainability of the business. Boards must deal with existing and future risks, adopt new technologies and work closely with all stakeholders. Peregrine *et al.*, (2020) document that the pandemic will have long lasting impact on corporate governance. They argue that the stakeholders would want the board to be quick in adapting and making changes in the firm's policy and processes in this climate. Boards must be more engaged than in normal times to enable them to be responsive to changes.

This study uses the stakeholder theory as a framework to develop the discussion of how the board of directors must be responsive to the interests and changing needs of stakeholders in the pandemic environment. Stakeholders include all that are affected by the business or business operations (Freeman 1984; Freeman *et al.*, 2010). Stakeholder relationships are important and not being able to address the interests of stakeholders can potentially threaten value creation and long-term viability of the business (Haslam *et al.*, 2015). For the sustainability of a business, the stakeholder relationship must be mutually beneficial (Freudenreich *et al.*, 2020). This paper, therefore, examines the impact of the pandemic on all stakeholders including the board of directors, managers, shareholders, customers, suppliers and employees.

3. Materials and Methods

In this paper, we adopt a case study approach with content analysis to analyse the impact of the pandemic on the corporate governance practices in the UK. The adoption of case studies as a research methodology has grown in popularity as an effective means to investigate and understand complex issues in the real-world settings. Case study designs are used in a number of disciplines such as social sciences, education, business, law, and health (Saunders *et al.*, 2019).

Our methodology is deemed appropriate to the research setting on account of the lack of knowledge regarding the dimensions of the pandemic on the corporate governance practices. This article seeks to understand the impact of the pandemic on corporate governance practices involving all stakeholders. The primary aim is to identify a case study that provides detailed and accessible information to undertake an in-depth analysis. Specifically, we seek to understand the nature of the firm's internal and external resources, responses to the pandemic and technology architecture from the perspective of all stakeholders. We confine our analysis to the financial services as this is the single most important sector that caters to the needs of the real sector and the economy as a whole. We adopt a purposeful sampling approach whereby the largest bank in the UK, as defined by market capitalization (as of 1st May 2020) was chosen. Thus, HSBC, a leading international bank was selected as the case study. The key goal is to analyse the bank's response to the pandemic and how these responses impact the corporate governance practices of the bank.

Content analysis is a transparent and unobtrusive research method (Bell *et al.*, 2019). The materials include HSBC interim results report, HSBC website and news media websites. Following Tricker (2019), first, we classify the important stakeholders of a firm within the corporate governance structure as board of directors, managers, suppliers, employees, shareholders, and customers. Next, we analyse the impact of the pandemic on the stakeholders

and examine the responses taken by HSBC to combat these issues. The authors acknowledge that ‘one size does not fit all’. Nevertheless, to a large extent, this can provide useful information and guidance to firms on the impact and measures adopted, irrespective of the sector.

3.1 Background of HSBC

HSBC is one of the world’s largest banking and financial services organisations and have networks in 64 countries including Europe, Asia, the Middle East and Africa, North America and Latin America (HSBC, 2020a). They have more than 40 million customers across the world in businesses that cover Wealth and Personal Banking, Commercial Banking, and Global Banking and Markets. The firm is listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges with around 197,000 shareholders (HSBC, 2020). This case study demonstrates how the bank is coping in the face of the pandemic and how business agility has facilitated the bank in adapting to challenges in the face of the pandemic.

3.2 HSBC and the Pandemic

Since the pandemic, HSBC has faced a steep plunge in its earnings; profits have fallen 65% to \$4.3 billion as reported in its interim results in early August 2020. The drop in earnings has been caused by a fall in sales, bad loans, requirements by the UK government to provide mortgage payment holidays to clients and some geo-political issues. Due to the drop in earnings, the bank has had to pivot from its previous strategy of expanding its operations to the West back to the growth region in the East. In an email response to request for an interview by the authors, the HSBC Group CEO, Mr. Noel Quinn states that ‘The pandemic has undoubtedly affected our customers and communities around the world, and I am proud of how the team has mobilised to support them over these past 12 months. Hopefully, with the recent vaccine news, there is now some light at the end of the tunnel.’

The following sections discuss the overall impact of the pandemic on the stakeholders and presents the responses taken by HSBC to counter the pandemic effects. The authors finally provide a discussion of how firms could adopt and adapt based on the responses presented.

4. Impact on stakeholders

4.1 Impact on board of directors (BoD)

In the wake of the corporate accounting scandals in the late 1990's and the global financial crisis in 2008, corporate governance practices of firms have come under scrutiny. Two decades after the scandals, led to the introduction of Sarbanes Oxley Act, 2002 in the USA; and the global financial crisis led to the shake-up of the Financial Services Authority (FSA)². In UK, the Financial Reporting Council (FRC) issued a new corporate governance code setting standard of good practice in relation to board leadership, remuneration, accountability and relations with shareholders and other stakeholders.³

In the present times of the COVID-19 pandemic, corporate governance practices are being tested and questioned. These unprecedented times have triggered a wave of economic crisis leading to firms closing operations, furloughing employees, filing for bankruptcy and crisis management. The cardinal accounting concept for any business is that it is regarded as a 'going concern 'in the foreseeable future. However, the pandemic has actually brought this age-old accounting concept into question. Firms are always expected to adapt and plan for any eventuality. The Financial Reporting Council (FRC)⁴ has provided some guidance notes on how businesses could conduct themselves in the current situation.

The BoD plays an increasingly important role in crisis management and ensures business continuity. Crisis management involves steps that stakeholders in businesses take to

² <https://www.bankofengland.co.uk/prudential-regulation>

³ <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>

⁴ <https://www.frc.org.uk/about-the-frc/covid-19>

deal with a disruptive and unexpected event that threatens the very existence of a business. One must acknowledge that ‘one size’ does not fit all. Nevertheless, stakeholders must always identify the risks and assign responsibilities to key individuals. The BoD has to be proactive and display leadership in times like this. Their role is paramount in instilling confidence and ensuring the survival of business. The lockdown restrictions of the pandemic proved challenging for all businesses to carry out their daily operations.

However, in unusual and rapidly changing business environments, effective communication is increasingly important to ensure efficient decision-making. Is the BoD technology savvy to undertake virtual meetings? If not, what alternatives can be put in place for effective communication? Can shareholders participate in these meetings with minimum disruption? How is the day-to-day administration being conducted? With remote working, BoD must consider and improvise on how tasks can be completed. Does the business have a contingency plan in place for technological solutions to prepare and receive documentation, contingency plans for sole signatories; these are some of the key strategic areas that BoD need to pay attention to ensure the least disruption in their businesses.

In the case of HSBC, the BoD has adopted a three-pronged strategy to counter the impact of Covid 19. First, since the profits have fallen, the bank is downsizing in areas where there has been little or no growth, namely the US retail market, and in other markets. The bank is also considering the sale of some of these operations (HSBC, 2020a; Euromoney, 2020). Second, their current strategy is to pivot back to the Asian and mid-eastern markets after years of trying to expand into the west. Despite stiff competition, HSBC plans to expand their market share in China. Since expansion into the Chinese markets will directly impact the bank’s reputation in the US and Hong Kong, there are reputational and geo-political risks to be considered. Over the long-term, HSBC’s strategy is to help customers with sustainable growth

by operating in ways that reduce social and economic impact of crises in the future (Moneyweek, 2020).

Based on the responses taken by HSBC, it is imperative for BoD to re-think their contingency planning by allowing for remote working, open channels of communication and the protection and preservation of interests of all stakeholders in the business. For a firm to grow and survive in this disruptive environment, the board must adapt to changes. The strategic, policy making, monitoring and accountability functions of the BoD will require an understanding of new opportunities and changes arising out of the pandemic. Hence, the board will be required to have a deeper engagement and involvement with the business operations and all other stakeholders. In respect of financial sustainability, BoD must re-consider any dividend payments, all capital expenditures, hiring of new personnel and other types of expenditure that is non-essential and thus can be postponed. With liquidity and working capital constraints, BoD must explore their refinance arrangements, government funding and the feasibility of these available schemes for their survival. In terms of disclosure, BoD has a moral responsibility to disclose to their investors and public any pertinent information relating to their business. This is especially so in the case of listed firms in regulated markets where such disclosure is mandatory. Any material changes in internal control and audit over financial reporting will require disclosure. Constant monitoring of the situation and communication is mandatory. As BoD ventures into uncharted territory, it must act responsibly to ensure that business continuity plans are in place. These unprecedented circumstances are a reminder of the importance of strategic and collaborative leadership. There must be management processes in place to identify potential threats, advance planning, and the safeguarding of critical business functions in the event of disruption.

4.2 Impact on Managers

The COVID-19 pandemic crisis has put an enormous strain on the communications between managers and BoD. Managers need support, advice, and counselling from the board. BoD must attempt to make themselves available and communicate openly with the managers.

As eighty-five percent of HSBC staff are working from home, the bank has enhanced its digital capability to get better, faster, and more secure access for all stakeholders. The managers have had to be more agile in making changes to accommodate the disruption in terms of modifying products or services (HSBC, 2020a). HSBC documents that the pandemic has hastened the digital economy. In order to cope with the surge in digitalisation, HSBC has ensured that both managers and employees have the necessary skills set and training to accelerate the digital banking know-how (HSBC, 2020a).

Based on the responses adopted by HSBC to assist their managers, we conclude that businesses must have effective communication mechanisms in place and provide support to managers. Communication is key in obtaining inputs from managers to ensure that training skills, technology support as well as mental and physical well-being is prioritised. Effective and frequent meetings with managers is essential to assess the level of support in terms of technology, physical, mental, and emotional that the managers need in these unprecedented times.

4.3 Impact on Shareholders/Owners

As of 31st March 2020, FTSE 100 has shed 25% of its value. This was regarded as the worst performing day since 'Black Monday' in 1987⁵. Global financial markets are experiencing unprecedented turmoil and uncertainty since the pandemic.

⁵ <https://www.theguardian.com/business/live/2020/mar/31/china-economy-picks-up-covid-19-german-unemployment-us-confidence-stock-markets-business-live>

Shareholders of HSBC have been affected by the drop of the share price from about \$HK60 to \$HK40 between March 20 and May 20. In addition, the UK regulator requested that the bank to stop paying out dividends from end of March 2020. This is to enable the bank to build a capital buffer against any losses that could arise from the pandemic. This move has upset the shareholders since several individuals depend on dividend income for their sustenance (Asia Review, 2020). Following the pandemic, HSBC is in the process of forming a dedicated team to boost investments in environmental, social and governance (ESG) strategies to build a future in which interests of all investors are well aligned to growth and sustainability. HSBC's focus on sustainable investing has gathered momentum after the outbreak of the pandemic (HSBC, 2020b).

From our analysis of the responses adopted by HSBC for their shareholders, it is necessary that shareholders/owners have every right to be informed of the value of their investments. Firms must communicate to the shareholders about the ongoing impact of COVID-19 on their investments and also its potential impact in the future. The shareholders should be made aware of the financial position, liquidity and any operational concerns of firms. Firms should provide forward-looking information in an effort to keep investors and shareholders informed about developments and uncertainties regarding the pandemic crisis.

4.4 Customers

Customers require constant assurances on how they will be served during the pandemic. The customer service teams require training to demonstrate that the firms still value customer feedback and the company website will need to be updated constantly with any changes in firm policies in light of the pandemic.

In our case study, HSBC provided around \$80 billion to support their wholesale and personal customers. The bank has provided \$27 billion in relief through payment holidays on loans, credit cards and mortgages such that customers can better manage their finances. The

firm has also provided lending facilities to thousands of wholesale customers through government and other initiatives to assist businesses to remain resilient. During the pandemic, HSBC helped customers to raise capital (\$1.15 trillion) through the debt and equity markets. They have also helped small and medium size firms by waiving the arrangement fees for loans. HSBC has helped governments, development banks and commercial banks globally to raise \$19.9 billion to support communities affected by the pandemic. More importantly, the bank has remained operational throughout the pandemic and helped to respond to customer queries on the phone and online and, guiding older citizens to online banking (HSBC, 2020a).

Based on the responses adopted by HSBC to their customers, we recommend that businesses must effectively communicate to customers all relevant information and policies relating to changes in their operations. Businesses must analyse the needs of their customers in the face of the pandemic and explore if the firms can cater to their needs. Customers must be kept well informed on the steps that the firm has taken to combat the crisis. For e.g., in the UK, with travel restrictions, British Airways⁶ has constantly updated its website on its latest policies on bookings.

4.5 Suppliers

Most suppliers face disruptive challenges in the form of their purchasing strategy, business processes and operations. In the UK, for example, due to overwhelming customers' requests for home delivery, all supermarkets experienced a collapse in their supply chain management. Likewise, manufacturing firms' main suppliers are unable to supply crucial parts and components. A critical and important lesson from the pandemic crisis is the vulnerability of their supply chain models.

With regards to suppliers, HSBC has partnered with other banks (such as the Asian Development bank) to finance firms that are part of the supply chain dealing with products and

⁶ <https://www.britishairways.com/en-gb/information/incident/coronavirus/latest-information>

services related to the pandemic (HSBC, 2020a). HSBC has responded by offering financial aid to firms to re-visit supply chain models and thereby limiting the disruptions. Mr Mark Tucker, HSBC Group Chairman, highlights how the pandemic has shown the importance of identifying and measuring key environmental, social and governance (ESG) criteria in the sustainability and resilience of supply chains (HSBC,2020). The bank suggests that firms can reshape their supply chains by diversifying suppliers and operating more regionally.

Based on the analysis of the impact of the pandemic, we conclude that supply chain models have been affected; thus, it is clear that firms must revisit their supply chain models. Businesses must exercise diligence, care, and skill in ensuring that disruption risks are minimised and also explore re-financing options where possible. Supply chain models need to be developed and tested to ensure that these models can sustain any shocks in the future.

4.6 Employees

Finally, we examine the impact of the pandemic on employees. Some sectors such as the tourism sector is amongst the worst affected relative to the other sectors. Tourism accounts for about 22% of the UK economy, with 144,000 businesses and 920,000 jobs⁷. In a bid to protect employment in the tourism sector, would sustainable tourism be a viable option for the sector to explore in order to survive this pandemic? The current crisis could spearhead fundamental changes in working practices leading to more uncertainties at the workplace. Managing employees' concerns and queries about their physical safety, potential disruptions to their own work, and how the organization plans to manage its operations is critical.

HSBC has supported about eighty-five percent of its employees to work from home and has developed applications for the bank staff to establish and maintain contact with each other. During the lockdown restrictions, HSBC delivered food supplies to their vulnerable employees. HSBC employees feel that they have grown closer to their colleagues and customers during the

⁷ <https://www.bbc.co.uk/news/uk-scotland-52367295>

pandemic. Over and above this, HSBC has helped communities in need by donating \$25 million for relief and recovery activities around the world for medical care and food for the vulnerable. They have also supported staff to volunteer their time for mentoring those who need assistance during the crisis (HSBC, 2020a). However, it is also important to note that due to the shift in their strategy to pivot their sales and operations back to the east, HSBC has had to lay-off 35,000 employees (Euromoney, 2020).

In our analysis of the responses taken by HSBC in respect of their employees, we acknowledge and conclude that employees' care and wellbeing is critical. We advocate that firms must provide support to their employees and have effective communication channels in place to overcome the pandemic. Businesses must ensure that the smooth transition to remote working, well-being support, communication, and technology support are all in place to facilitate employees during the pandemic.

Having examined the impact of the pandemic on the various stakeholders and the responses taken by HSBC and the analysis of the responses, the next section recommends three key action point framework that would encompass all stakeholders and enable firms to ensure business continuity.

5. Recommendations

In this study, we posit that policy makers and regulators must address, at the very outset, the guidelines, and policies in respect of corporate governance to tackle the challenges that firms are currently facing and will encounter in future. The crisis may have actually presented opportunities for firms to revisit their age-old business models, work patterns and highlight firms' reliance on digital technologies.

From the HSBC case study above, we conclude that the successful implementation of any responses to crisis is dependent on the degree of agility of the firms. For firms to be agile, we contend that firms must adopt a corporate governance approach encompassing all

stakeholders; support and purport the idea that all stakeholders co-create value; increase the investment in the IT infrastructure and last but not least, promote an organizational culture that puts its employees' well-being as its core. This is critical as employees will then feel that they can co-create value and collaborate effectively in the face of any crisis.

In the following paragraphs, based on the case study findings, we put forward three key areas that organizations must consider whilst battling the pandemic.

5.1 Sustainability

In order to survive and thrive, organisations must be resilient, responsive and adaptable. Disaster planning must form a key item on the boards' agenda and more importantly, the need to be resilient. Boards must provide strong and stable leadership. Active leadership is required in responding to the crisis by identifying the potential impacts and assess mitigations; as well as preparing measures to respond based on facts and plans. Boards must set and review new targets for management and keep on hold any new investments and projects. Regular advice and guidance to management would be key to business continuity.

Boards will change the way they work, by having frequent online meeting among themselves, with management and stakeholders. They must change the focus of the agenda to sustainability, maintaining shareholder value, employee well-being and monitoring management. Frequent communication with the investors, customers, suppliers, and employees must be a priority to keep them informed and updated about the plans of the firm in the light of the crisis. Effective communication is crucial to provide reassurance and demonstrate resilience of the leadership and the firm. Boards must consider the case of a virtual work environment and the pros and cons of it; one of the key benefits of a virtual environment would be the substantial savings in rental and lease costs. The board must explore avenues for huge cost reductions. These reductions may take the form of discontinuing an existing business in

favour of a new model. Liquidity will be a big issue for firms as they navigate a recovery from the economic impact of the pandemic. Any form of substantial savings made now could be a lifeline for many businesses. Finally, liquidity can also be preserved by tapping into resources that can help fund the transformation. A sub-committee to respond to the crisis must be set up. The committee comprising directors, executives and employee representatives would facilitate decision making to respond effectively to the crisis. It is important for boards to discuss the short-term strategy, opportunities, as well as risks.

HSBC aims to recover after the COVID -19 with the aim to be financially sustainable and operate in ways that will reduce the negative social or economic impact of any future crisis. In a poll conducted by HSBC, their findings indicate that sustainability and technology are key to firms' recovery. HSBC introduced the cash flow forecasting tool as businesses face unprecedented liquidity concerns. The tool enables business to stress test their resources for financial viability.

5.2 Well-Being of Employees (Human Capital)

Well-being of employees must be addressed by the board. Arrangements must be in place for employees to obtain counselling and support if they are under stress. Firms could provide dedicated communal areas with social distancing in place. Digital literacy is of utmost importance and support must be available to allow employees to be digitally literate to cope with any form of pandemics and/or natural disasters in the future. 'Stress tests' of these services and applications should be carried out periodically. Communication strategy for firms may need to be revisited to ensure effective communication. This includes communication to all including employees, clients, customers, and suppliers. Managers must be more alert/aware and provide effective communication to staff to identify staff working under undue stress, or even working while being unwell. Businesses should also look at providing all employees with

the necessary tools and guidance to work in the new environment. Firms will also need to review their health and safety measures in place.

HSBC is proactive by providing flexible working hours for most of its employees and offering employees access to technology that is fast and secure. In the UK, HSBC employees are working on new ways to support individuals, businesses, and communities during the pandemic by volunteering their expertise in local and national projects to help the wider community (HSBC, 2020a).

5.3 IT Infrastructure and Related Risks

Prior to the onset of the pandemic crisis, businesses were already experiencing a digitalisation wave in some form or the other at a slower pace. However, during the pandemic crisis, it appears that this digitalisation wave is set to revolutionise and establish processes that would alter the manner in which firms conduct their day-to-day business. Digitalisation is here to *stay*. Since the Covid-19 pandemic, firms have increasingly become digitally resilient in the adoption of digital resources. Proactive boards that embrace changes due to digital transformation and promote digitalisation across the firm would be able to weather the crisis well. The pandemic offers an opportunity for firms to adopt technological innovation in areas such as data handling, data analysis, data security and so forth. With cloud computing and other digital means for data storage and preservation, firms must examine the related cybercrime risks. The crisis highlights the urgency for firms to consider and plan for future pandemics. Boards must scale up their investment in technology and embrace digitalisation to cope with any sort of eventualities in the future. This will ensure the sustainability of businesses with minimum disruption across all critical areas including supply chain, customer services, sales, marketing, and finance.

HSBC has a robust IT infrastructure and continues to increase its investment in technology and this has enabled them to continue its operations and sales with minimum disruption to its customers. The Group CEO, Mr Noel Quinn states that the pandemic has accelerated the bank's adoption of digital technology (HSBC, 2020).

Table 1 indicates HSBC's corporate clients switching to digital solutions during COVID-19 (HSBC investor relations newsletter, August 2020). The table clearly shows the dramatic increase in the digital solutions of the bank.

Table 1 here

6. Conclusion

What is the impact of the COVID-19 pandemic crisis on the corporate governance practices of firms? The pandemic crisis triggered unprecedented changes in the manner the firms are governed and managed. In this paper, based on the findings of the case study, we conclude with recommendations to be adapted by firms to cope with a pandemic of this magnitude. The case study of HSBC has shown that the boards of directors and managers have had to be agile to adapt their operation and services during the pandemic.

The study proposes that firms undertake steps to enhance business continuity focusing on sustainability, well-being and improving IT infrastructure and reducing associated risks. The key contributions of the paper are two-fold. Firstly, it offers an early attempt at addressing the impact of the pandemic on firms in the corporate governance context. It provides a discussion and analysis of the impact of the pandemic across all key stakeholders, namely, board of directors, managers, suppliers, employees, shareholders, and customers. Secondly, the discussion also provides initial thoughts and ideas on how firms can adopt and adapt in ensuring that firms survive the pandemic. Firms can regard this disruption as an opportunity to re-visit their business models and attempt to adapt and adopt to the changing landscape brought on by

the pandemic. A key lesson that businesses are learning from this pandemic is that ‘one size may not fit all’ BUT it is essential that firms adapt and look forward to a rapidly changing environment. There are opportunities for businesses to explore and the crisis may not necessarily lead to failure.

At the time of writing the article, lock down measures are still in force as the number of COVID-19 cases increase. With lockdown measures in place, data collection posed an issue for this study to undertake an empirical analysis of the impact of the pandemic on the firms. Future studies can fill this gap by undertaking an empirical analysis of the impact of the pandemic on firm performance in the corporate governance context.

Overall, this paper provides some of the initial insights of the impact of the COVID-19 pandemic in the corporate governance context. We conclude by advocating a corporate governance mechanism encompassing the participation and views of all stakeholders in circumventing the current pandemic crisis and encourage further theoretical and empirical research in this area.

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