Keep An Eye On the Ball

Bury Football Club's demise can teach us lessons in stakeholder engagement

Bernadette Barber

I'm not a football fan but I was struck by images of dedicated volunteers who responded to an urgent call from Bury Football Club to clean the stadium's 11,640 seats and sweep the four stands ready for its first match, despite the future of the 134 year old club hanging by a thread. They willingly responded and pitched in to help out at a time of crisis for their beloved team.

What does this have to do with the world of company law and corporate governance? Perhaps few businesses engender loyalty from their customers in the same way that football clubs do from their lifelong supporters. Yet, for me, the genuine connection between the football club and its fans was one of the most convincing and clearest examples there could be of how closely an organisation's success can be entwined with the interests of its wider stakeholders.

For large UK companies with 31st December year ends, the first round of s.172 reporting will soon be upon them. Such companies will need to include a statement within the strategic report describing how the directors, in seeking to promote the long-term success of the company, have had regard to the following matters:

(a) the likely consequences of any decision in the long term
(b) the interests of the company's employees,
(c) the need to foster the company's business relationships with suppliers, customers and others
(d) the impact of the company's operations on the community and the environment,
(e) the desirability of the company maintaining a reputation for high standards of business conduct
(f) the need to act fairly as between members of the company.

The government guidance issued in relation to this new requirement emphasises some of these elements – in particular those relating to employee engagement and interests, and relationships with other stakeholders with whom the company has a direct relationship such as customers and suppliers.

Moreover, the report needs to specifically address how the major decisions taken by the board were impacted by consideration of these wider stakeholder factors. The implication is that nondescript ramblings, aimed at confirming that the board take account of their stakeholder needs without providing specifics about how taking account of those matters had a real effect on their decision making, are not going to cut the mustard.

In the meantime, across the pond, almost 200 business leaders in the USA – all members of the Business Roundtable – pledged in August to deliver value to customers, invest in employees, deal fairly and ethically with suppliers, support their communities and to engage effectively and transparently with shareholders. Their 'Statement on the Purpose of a Corporation' identified all stakeholders in their businesses as 'essential'. The commitment made by these influential members of the business community, including the CEOs of companies as dominant as Amazon, Apple, BlackRock, Coca-Cola and Walmart, unequivocally aligns stakeholder interests with achieving long-term success for the company.

As far back as 1994, the requirements introduced in South Africa by the first King Report on Corporate Governance required, amongst other things, each company to introduce a code of ethics, endorsed by the board and chief executive, which would commit 'to involve all its stakeholders to infuse its culture'. That phrase 'infuse its culture' speaks so clearly as to how stakeholder interests need to permeate through everything which an organisation does. Those interests need to inform all behaviours and decisions and be accepted as compatible, rather than at odds, with company success.

The investment management profession is becoming an increasingly vocal advocate for companies applying higher standards of environmental, social and governance (ESG) practice. There is growing recognition that organisations which adopt responsible approaches to ESG matters are not as risky and are more financially successful than those which ignore or take a less enlightened stance towards these wider issues. The FRC's consultation earlier this year on proposed changes to the current Stewardship Code has reflected this by clearly referencing ESG responsibilities as an integral part of the wider stewardship role.

In their unique position as influencers of board agendas, conduits for information coming into the boardroom and communicators of board decisions to the rest of the business and beyond, company secretaries can do so much to support turning the ideal of taking account of wider stakeholder interests into a positive and impactful reality. And with providers of capital now taking greater account of such factors in their assessments of corporate worth, the opportunity to demonstrate the value delivered by such matters has never been clearer.

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