



SOCIETY

Learning from Lockdown

The skills and attitudes which governance professionals possess have never been in greater demand

Bernadette Young



What were you doing back in the summer of 1995? Maybe watching the Rugby World Cup (won by South Africa) or avidly following the OJ Simpson murder trial?

For the London Stock Exchange, the summer of 1995 saw the launch of its Alternative Investment Market – known as AIM. Initially just ten companies, with a combined capitalisation of £82.2m, traded on this new market.

AIM was specifically set up to provide a less onerous regulatory environment in which smaller companies could grow and develop whilst still benefitting from access to capital. That deliberate lighter-touch approach has, at times, led to some problems and criticisms, including some high-profile corporate failures and the fraudulent listing of Langbar International in 2005.

But the market has learned from these issues and refined its modus operandi to create a platform in which companies can list without the burden of potentially disproportionate legal and governance requirements and shareholders can invest with sufficient assurance about access to information and the standards to which companies must adhere.

The AIM market approach is a pragmatic

one. It recognises and manages risks but weighs them against the need to provide opportunities for smaller, less resource-rich businesses to grow and develop. It seeks to offer an environment in which entrepreneurial operators can remain agile to help their businesses expand and thrive, whilst providing assurance to investors through imposing a framework which demands proper transparency, competent governance and appropriate values, and yet still retains a degree of flexibility. It is a relationship of trust backed up by proportionate checks and balances.

These attributes are those which the best governance professionals are likely to recognise in their own capabilities and style of work. When it comes to enhancing the effectiveness of governance delivery, a rigid rule book is no substitute for the benefits of experience, a long-term outlook, an understanding of the interconnectivity of disparate issues and the ability to make sound judgements about what is needed to support and add value to an organisation. Moreover, when behaviours are underpinned by high standards of conduct, doing the ‘right thing’ is naturally guided by professionalism rather than the need to tick a regulatory box.

Never have such skills and attitudes been more in demand than during the COVID-19 crisis. As organisations have had to grapple with the problems caused by lockdown, so governance professionals have had a unique opportunity to showcase the value of their calm and practical support. While boards have sought to urgently address a myriad of hitherto unimagined issues and still remain sensitive to their stakeholder responsibilities, our qualities as Chartered Governance Professionals, the cross-functional perspective we tend to have and our central role in governance and leadership of our organisations, have placed us at the heart of these efforts.

Some of the biggest problems – personal, organisational, societal and economic – are likely to lie ahead of us. Entering into lockdown was, of necessity, mandatory and, as a result, most boards were faced with limited options on how to handle the crisis. Re-opening will be more complex and riddled with greater uncertainties.

Faced with multiple potential outcomes, boards will want to be neither too bold and risk financial ruin, nor too cautious and lose out on future opportunities – both stances are likely to draw subsequent criticism from those who will have the benefit of hindsight.

Decisions will need to be made notwithstanding the considerable gaps in the information available about what the future may hold. As governance professionals, we have an important role to play in ensuring that boards have the best and most timely information possible and that meetings and schemes of delegation are structured to optimise decision-making and implementation of actions.

In its first quarter century, the AIM market has undoubtedly had to weather some serious storms. But it has learnt from the problems it has encountered and is now the most successful growth market in the world. If the words of Benjamin Disraeli – ‘there is no education like adversity’ – are true, we are in the middle of the greatest opportunity for learning most of us are ever likely to experience. In the here and now, the scale of the challenge is daunting and it is natural to be afraid. But when we look back, we will draw upon what we have learned during the COVID-19 crisis and hopefully be better and more effective colleagues as a result. So, let’s grasp this opportunity to shine with both hands, and see where the journey takes us!

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