Tom Morrison Essay Prize

The competition, which was launched in 2016 in memory of Tom Morrison FCG, an active member and past president of the Institute and a highly regarded and influential member of the share registration industry, encourages new thinking and recognises original approaches to governance. Now in its sixth year, this year's competition sought essay submissions that demonstrated an original perspective on the following topic:

Post-COVID-19, what does the concept of 'building back better' mean for governance professionals?

Building Back Better

An extract from the winning Tom Morrison Essay Prize submission

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As the threat of COVID-19 diminishes and lockdowns are lifted, people around the world will begin to re-emerge from their homes to live the lifestyles they once took for granted, like watching live sports and going to restaurants with friends. Governance professionals, in the meantime, may be prodding the exteriors (or poking at the rubble) of once-lively companies, which may now be creaking with looming debt repayments and diminished sources of income. When government support comes to an end, an increase in insolvencies is an inevitable feature of the 'post COVID-19' world.

For those that do survive, what next? This is where the concept of 'building back better' begins to have meaning. Much like the Walker Review after the 2008 financial crisis, reports will undoubtedly highlight common governance mistakes made over the course of the pandemic. However, what governance professionals must consider is that these investigations take time to reach their conclusions (nine months in the case of the Walker Review), and that governance professionals themselves are in a position to extract learning outcomes now. This essay will explore a selection of areas which may contain vital lessons to be learned, as well what 'better' might look like.

Strategy and Values

Whilst the most immediate threat to businesses may have been the pandemic itself, it is easy to overlook whether responses focused too heavily on the short term and detracted from long-term strategy – even the values that underpin the company.

Pub chain JD Wetherspoon received fierce backlash after it announced its employees' wages would not be paid until financial support from the UK government's Coronavirus Job Retention Scheme had been received, a move which would have left over forty thousand of its workers without income for up to five weeks. The company later gave in to pressure and agreed to pay staff eighty percent of their wages, but reputational damage had already been inflicted.

The original decision is at odds with the value placed on employees, which raises the question of how the decision was allowed to be made in the first place.

It is this deviation from the company's purpose that should be concerning for governance professionals. Principles B and E of the UK Corporate Governance Code recommends the establishment of policies that are complimentary to the company's purpose which will promote a culture that reflects the company's values. Most companies will not have had such strong negative reactions to their COVID-19 policies, but that does not mean there are no lessons to be learnt. Governance professionals should scrutinise how useful their organisation's responses were to reaching its long-term strategy, as a kneejerk reaction to COVID-19 may have undone previous hard work.

Consider the use of technology, which has been crucial to remaining connected during the pandemic. Remote working became the default under government 'stay at home' mandates and is an area

TOM MORRISON ESSAY PRIZE

This is an extract. To read the full winning and runner-up essays please visit: www.cgi.org.uk/about-us/tmep/tom-morrison-essay-prize many companies have invested in, with 2020 being a record-breaking year for computer sales. Whilst it was necessary for businesses to adopt some technology to enable their employees to work from home, the amount of any additional investment should have been carefully calculated and aligned with any existing plans. Primark is one example of a company that is aware of its digital strategy. Whilst the retailer lost the ability to sell its products for a large portion of the pandemic, Primark is resolute in its refusal to sell products online. If, prior to the outbreak, Primark outlined its strategy for the next ten years, the closure of stores will have influenced twenty percent of that strategy. Therefore, is a significant investment justified when it applies to only a fifth of the overall picture? Primark appears to think not.

What can governance professionals do to identify whether the board makes decisions with the long-term in mind? By having insight into board meetings themselves some areas to improve may immediately stand out, although it may be useful to investigate more formally to obtain further insight. Larger companies that are subject to the UK Corporate Governance Code should annually assess board performance and therefore are likely to have robust systems of measurement already. In such circumstances, governance professionals could re-use these questions and compare the results to previous years. This comparison can be used to assess the impact the pandemic itself had on the understanding of company strategy and alignment of practice with values. For smaller companies, which may not have such existing measures, governance professionals could adopt already existing surveys that are available online. As these surveys may focus on evaluating the board overall, governance professionals may wish to consider focusing on statements that relate to the thoroughness of decision-making processes, expanding on existing statements with their own, such as 'the board remains considerate of stakeholders and strategies under pressure or during times of crisis'. After collecting responses, governance professionals could identify the lowest-rated areas. One issue with relying on only this type of quantitative analysis is that findings will be limited to trends and offer little explanation of 'why'. Qualitative analysis, on the other hand, will be essential to understanding the dynamics behind why each decision was made. This could take the form of semi-structured interviews with board members, where the interviewer has prepared open-ended questions that are designed to prompt the interviewee to offer detail that may not be uncovered with a more rigid question structure. Recurring themes throughout the interviews can be identified and used to provide a commentary of the logic behind decisions made during COVID-19 – a technique known as 'thematic analysis'.

Governance professionals may use a combination of both quantitative and qualitative methods to identify the areas in which the board felt its own decision making was compromised, and then focus qualitative analysis on these areas to understand the reasons why. However, it is important that research is conducted thoroughly and properly so that the findings can be trusted. If governance professionals lack the prior experience and understanding of these methods, then they should consider employing an external reviewer. Either way, once the research has been conducted, governance professionals can facilitate discussion that raises the board's awareness of its behavioural psychology and set targets that drive future improvement.

Stakeholder Engagement

Stakeholder engagement has been defined as 'the process used by an organisation to engage relevant stakeholders for a clear purpose to achieve agreed outcomes', intertwined with environmental, social and governance (ESG) policies, which embody the moral values of companies.

Good ESG policy is designed to improve sustainability and mitigate risk which improves the influence a company has on its surroundings and, despite 'moral values' being a difficult subject to quantify, shares of companies with higher ESG ratings have outperformed companies with lower ESG ratings during 2020. The importance of stakeholder engagement cannot be underemphasised, and therefore governance professionals should continually be looking to improve in this area.

One major event in the company's annual calendar is the annual general meeting (AGM). However, due to the pandemic, most AGMs have been prevented from being held in person. Was this viewed as an obstacle, or an opportunity? COVID-19 has enabled companies to open the doors of their AGM to a much wider audience. Web-conferencing has been essential to keeping in touch both professionally and socially whilst people have been forced to remain in their homes. AGMs that use web-conferencing technology can now be attended by anyone with an internet connection, allowing overseas shareholders (a growing demographic) to participate. Moreover, travel to and from the meeting venue would not be required, reducing emissions and benefitting the environment.

Another benefit for electronic AGMs is cost. A company may have to invest in web-conferencing infrastructure or subscribe to have this service provided, but once paid this infrastructure can be used for a multitude of purposes even with other stakeholder groups, such as training events or company briefings with employees or industry events with wider stakeholders that can be delivered across geographic boundaries. Typically, large events would require the hire of a venue which may be a significant investment for a single afternoon. By contrast, a web-conferencing subscription plan may offer unlimited use in monthly or yearly periods. Moreover, the capacity of web-conferencing is more flexible; the maximum number of participants could be increased simply by upgrading the subscription plan or renting additional infrastructure, whereas a physical venue that has to be booked months in advance would have to be replaced – costing the company any deposits. ■