



## The new normal: the power of asset owners

‘As investors become more aware of and active over matters like biodiversity and climate change, they are integrating E&S factors into their overall strategies and capitalising on these new dynamics between investors and boards to demand more action.’

*Domenic Brancati*

---

## The CEO and the board

‘It’s getting that balance between the here and now and the future. That’s been very difficult with Covid-19 when we don’t know for some businesses if they’ve got a future. My concern for some CEOs that have done really well is that they’re running on adrenaline and they’ve achieved what they’ve achieved at quite some cost to their personal battery.’

*Patrick Dunne*

## Content

- |                    |  |
|--------------------|--|
| <b>News</b>        | <b>3 Engaging investors on ESG</b><br>Companies must rethink traditional reporting strategies to better engage with investors to address the challenge of providing increased quantity and quality of ESG data, according to a new report                                |
|                    | <b>4 Reporting in times of uncertainty</b><br>The FRC’s Financial Reporting Lab has released two short guides which cover some critical areas of focus for 2020 year-ends, considering current practice and looking at how disclosures are expected to evolve            |
| <b>Global News</b> | <b>5 Effective investor communication</b><br><b>Enhanced CG in China</b>   |
| <b>Features</b>    | <b>6 Shareholder proposals 2020</b><br>Despite a continued increase in overall support, a recent review by Georgeson has shown varying levels of backing from the largest investors on E&S shareholder proposals in 2020   |
|                    | <b>8 The new normal: the power of asset owners</b><br><b>Domenic Brancati</b> argues that companies are having to adjust not to temporary trends caused by the pandemic but to a ‘new normal’ of increased focus over ESG matters – and changing dynamics with investors |
|                    | <b>10 The CEO and the board</b><br><b>Lesley Stephenson</b> summarises the recent conversation between <b>Alison Gill</b> and <b>Patrick Dunne</b> which looked at how the pandemic is changing the relationship between the board and the CEO                           |

## Feature

.....

# The CEO and the board

**Lesley Stephenson** summarises the recent conversation between **Alison Gill** and **Patrick Dunne** which looked at how the pandemic is changing the relationship between the board and the CEO.

With a number of organisations making significant changes to their business models, ‘Have we got the right CEO for the direction we’re heading in?’ is a question some boards are asking themselves, said Alison Gill, CEO of Bvalco, to Patrick Dunne, author of *Boards*, during our latest webinar on dealing with the impact of the pandemic.

‘When people tell me they’re looking for a CEO, I always ask: what for?’ responded Patrick. ‘Are you a board that’s got a strategy that you want a CEO to execute? Or are you a board that needs a new CEO to devise a strategy then implement it? Do you want a CEO who can tip the company on its head and turn it digital, help it survive, or scale up because you happen to be a beneficiary of Covid?’

Patrick also advised thinking about the link to organisational culture. ‘You might think you want a CEO to do a certain thing, but it’s also important to think about *how* you want those things to be done’, he urged. ‘Different types of CEO will reinforce, change or damage a culture. You’ve got to put the work into understanding what you want.’

‘The natural tendency is to look for people with competence and experience of leading, but how people recruit CEOs is changing in terms of the balance between character and competence.’

Alison was in agreement: ‘The natural tendency is to look for people with competence and experience of leading, but how people recruit CEOs is changing in terms of the balance between character and competence. Experience and competence obviously count but, particularly at the moment, the demand for leaders who are resilient and emotionally intelligent and have that ability to lead an organisation in an empathetic way, is so critical. It seems to me there should be a trend towards hiring CEOs with those characteristics.’

‘I think you’re right’, said Patrick. ‘There’s a report out from McKinsey, called *The CEO Moment*, about the changing role of the CEO, saying it’s more about *being* than *doing*. CEOs are having to give more of themselves now. Everyone’s sharing more, we’re seeing into each other’s homes and people are talking more. The video townhalls are more frequent and some CEOs have told me they’re now closer to their people

than before, bringing more of themselves to the job, rather than hiding behind the shield of the CEO. That will change the nature of people required.’

‘The impact the CEO has on brands has changed from 12% to 25% in the last two years, which is a massive shift.’

Alison cited an interesting report from Global RepTrak, which tracks the reputations of organisations globally: ‘The impact the CEO has on brands has changed from 12% to 25% in the last two years, which is a massive shift’, she observed. ‘The CEO isn’t just the voice of the organisation but very purpose-led and activist in messaging, as well as having good engagement stats with the organisation. That combined thing of having the ability to be disruptive and purpose-led but also very personable and authentic.’

‘When everything is so uncertain, people are looking for something’, observed Patrick. ‘It varies from sector to sector and country to country as well. Empathy about family welfare is very jurisdictional. There are some countries where you’d be expected to ask about family, but in other countries it could be seen as intrusive. The general trend is towards more empathy and understanding of people’s challenges.’

Moving the conversation onto the relationship between the CEO and the board, Alison said to Patrick, ‘You always talk about the relationship between the executive and the board being a Venn diagram, with some overlap. How’s that changing?’

‘One of the biggest drivers of that intersection between those two circles is how the board gets the balance between oversight and support right’, said Patrick. ‘At the beginning of Covid, the CEO and CFO were getting more oversight and support. Some CEOs welcomed that and were confident in their board. Other CEOs felt quite threatened by that, saying “The Chair runs the board, I run the company”. But in a moment of crisis you have to optimise the power of all the team.’

People often talk about the relationship between the CEO and the Chair, observed Alison. ‘When we do board evaluations, we look at that quite closely because if it’s functioning well, and division or role and responsibility is clear, the board seems to work much easier.’

# Feature

Patrick urged that the Chair needs to support the CEO, ‘Talk to the CEO on appointment, say we’ve appointed you because we think you’re the best person for this job but there are these areas where we think you need some personal development or some support. If you’re having that conversation then, instead of letting them get on and stumble, it’s much healthier, so I like to do something around the first three months to reinforce personal development and the fact we all need to develop as we go.’

He adds, ‘Sometimes it’s really handy to have an “aunty” or “uncle” or “big sister” non-exec that the CEO can confide in. They may be having some issues with the Chair. Everyone needs to play their part in helping everyone be the best they can be.’

‘It’s easy for CEOs to get focused on building their team and leading their team’, said Alison. ‘In the board, they’re a member of the board but can get focused on only having a relationship with the Chair and not widening their net and building a relationship with the rest of the board.’

‘Completely, if the CEO is talking about the board as “they” or feels it’s a constraint, that’s not good’, warned Patrick. ‘If they’re seeing it as, “I can deploy my board and I could get a non-exec to attend this meeting”, that’s great. If you’re only finding fault, they won’t confide in you. It’s the same with family boards. Just because you’re a member of the family doesn’t mean you’re in for an easier ride. Families, as we all know, aren’t necessarily united.’

‘The tighter the relationship the better, without getting cosy’, warned Alison as she put a question to Patrick from the audience, about what to do when the relationship between the CEO and Chair becomes too close.

‘It’s important the other members of the board intervene to correct that’, answered Patrick. ‘If a Chair becomes cosy with the CEO, they’re going to lose objectivity. You want to be able to build a relationship to motivate them, but you have to have that objectivity to be able to say we now need something different.’

Alison agreed, saying, ‘In a lot of the board reviews we do, succession is an issue as the sequence hasn’t been discussed openly. Usually, it’s for really good reasons; people desperately don’t want to disrupt or feel that the conversation will force either the Chair or CEO to feel like they should move on. But there’s an inevitable rhythm in an organisation; as CEO, you’re not there forever, so to be thinking about a smooth way to make that transition is really important and it makes such a difference.’

Another interesting question from the audience was about how to moderate a strong character. ‘I like people who have lots of ideas and energy’, responded Patrick. ‘Harnessing that is a real joy. But there are times when CEOs can just go too far.

One of my great heroes, Professor Sir Christopher Zeeman, did a study into Alsatian dogs to understand when behavior becomes dangerously unpredictable. The worst position to be in, when the dog might kill, is when they’re frightened and angry at the same time. If they’re just frightened, they run away. If they’re just angry, they bite or bark. If they’re angry and frightened, they attack. So I always tell CEOs to never ever get the non-exec frightened and angry at the same time, as it’s completely unpredictable what they’ll do.’

‘How do you best deal with a CEO who is a good performer, but is no longer needed for the next stage?’ asked Alison.

‘You’ve got to make a change haven’t you’, said Patrick. ‘That doesn’t come as a revelation on a day. You doubt, you doubt. Then you know. The facts will out. What have they done to build a really good product range, a really good operating model, a really good team, a really good reputation in the market, a good and robust supplier base? It’s interesting how many companies have struggled in Covid-19, in part because they battered partners down on price, so their suppliers didn’t have financial resilience they needed to get through. CEOs are becoming much more aware that their interdependency with other partners matters.’

‘It’s getting that balance between the here and now and the future. That’s been very difficult with Covid-19 when we don’t know for some businesses if they’ve got a future. My concern for some CEOs that have done really well is that they’re running on adrenaline and they’ve achieved what they’ve achieved at quite some cost to their personal battery. If the second wave is as elongated as the first, that will come at a cost. A good Chair will recognise that and help the CEO take the pressure off a little bit, possibly by delegating a bit more, as a lot of stamina is required for the next six months.’

To watch the full conversation, visit <https://bit.ly/3710tdN>

Alison Gill is CEO of Bvalco and co-author of *Exiting Coronavirus with a Stronger Board* <https://bit.ly/35VLLW5>

Patrick Dunne, is Chair of ESSA and the EY foundation, founder of Board Consultancy Boardelta and author of *‘Boards’, a thought-provoking guide to life as a board member.* Find out more here: <https://bit.ly/35WNdHT>

## Subscription form

Please complete this form and send by mail to:

Subscriptions Department Governance  
Publishing and Information Services Ltd  
The Old Stables, Market Street,  
Highbridge, Somerset, TA9 3BP, UK

Tel: +44 (0) 1278 793300  
Email: info@governance.co.uk  
Website: www.governance.co.uk

(Please tick one)

- Yes! I would like to subscribe to Governance for one year
- Or save with a 2 year subscription

Governance international subscription costs:

	£UK	Euro	US\$
1Yr	325	450	490
2Yr	585	790	855

Governance can accept cheques in other currencies but an administration fee of £15 will be charged.

<input type="checkbox"/> I enclose a cheque/bankers draft for	
Currency	Value
<input type="checkbox"/> Please invoice me	
Specify currency:	
Order reference:	
Title:	
First name:	
Surname:	
Position:	
Company/Organisation:	
Address:	
Postcode:	
Email:	
Tel:	
Fax:	

## What our subscribers say

'Governance is a great publication that I look forward to reading.'

'I have found Governance to be a good resource for identifying and elaborating on emerging corporate governance trends.'

'Governance provides a very useful summary of key issues.'

'I enjoy Governance very much. The comprehensive range of topics covered keeps me up to date on corporate governance matters.'

'Governance is a useful means of keeping up to date on developments in a field which is assuming greater importance by the day.'

'Governance is the leading monthly publication covering major corporate governance issues. A most valuable source of information for investors, financial advisors, corporate board members and executives.'

## Index

Organisations		People	
FRC	4	Domenic Brancati	8
		Patrick Dunn	10
<b>Companies</b>		Alison Gill	10
Georgeson	6, 8	Hannah Orowitz	6
thinkPARALLAX	3		

Designed and printed by WithPrint  
Riverside Studio, Gills Lane, Rooksbridge, Somerset, BS26 2TY  
www.with-print.co.uk

ISSN 1358-5142

© Governance Publishing 2020. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without written permission of the copyright holder.

Governance Publishing and Information Services Ltd  
The Old Stables, Market Street, Highbridge, Somerset TA9 3BP, UK  
Tel: +44 (0) 1278 793300  
Email: info@governance.co.uk Website: www.governance.co.uk