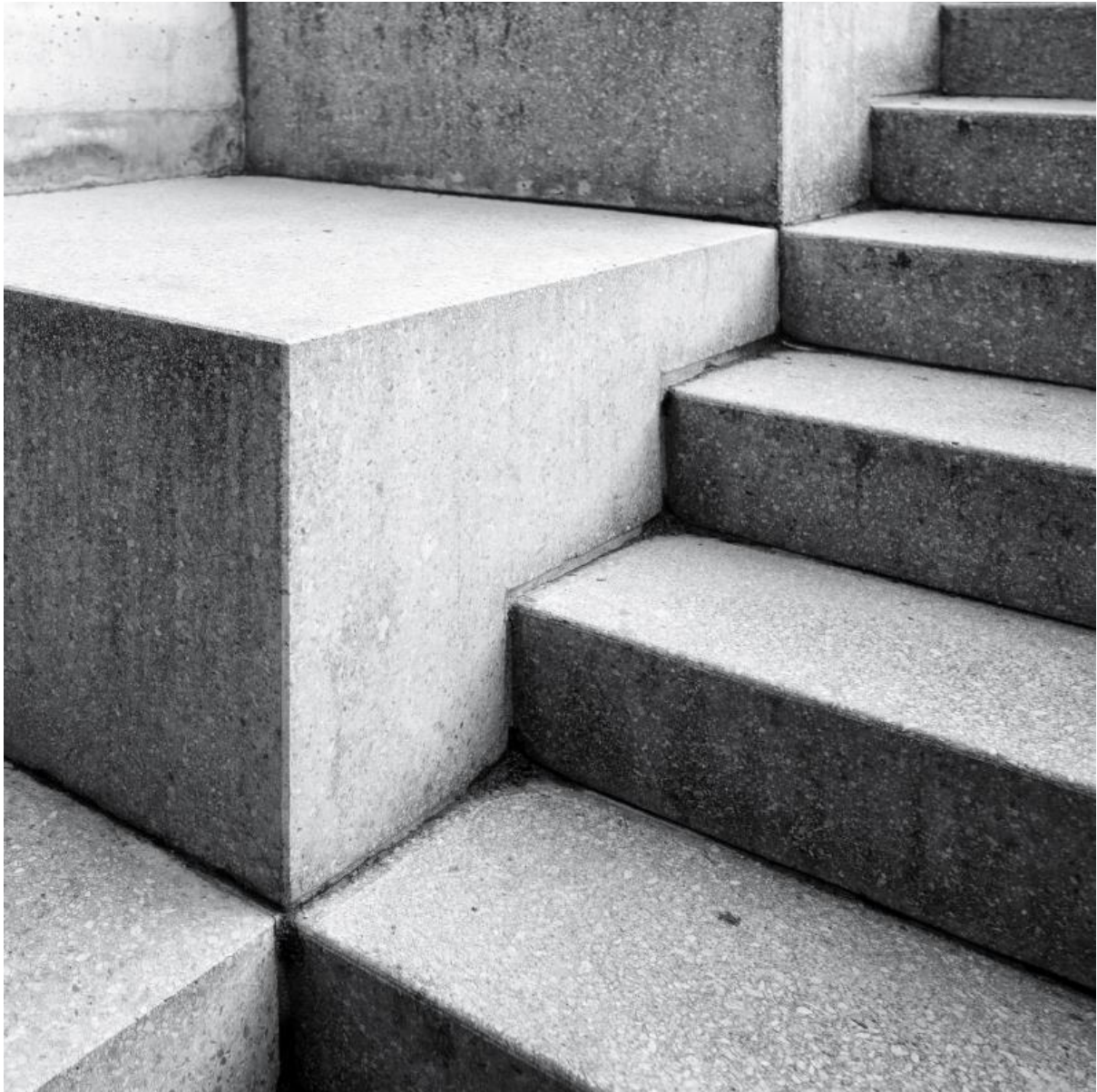

An ever-changing outlook -

How are Boards / Leadership teams succeeding?



Hoggett Bowers was delighted to host, once again in the setting of the Law Society, their second Board lunch of 2022.

The lunch was attended by CEOs, Chairs, NEDs and CFOs from across the Energy, Manufacturing, Housing, Business Services, Consumer Goods, Insurance and Legal sectors.

In the build-up guests were asked to consider the following topic and to postulate on a response to the question posed:

After almost three decades of steady growth and low inflation, The Great Moderation. We are braving a new world of increased macro volatility and high inflation. With one black swan following another, resulting in shorter, less predictable economic cycles.

Given this, how are today's Boards and leadership teams equipping themselves to deal with an ever-changing outlook?

Opening our discussion was a CEO from the energy sector who shared their view that today's Boards had little experience of running an organisation in a time of high inflation and geopolitical flux. Business was going back to the old days; the benefits of globalisation were behind us and what lay ahead was a cycle of boom-and-bust.

Boards needed to use the experience of those who had lived through turbulent times to bring perspective to the challenges they are facing today. Understanding how to organise themselves and operate in an environment of shorter economic cycles will be key to survival and future growth.

"The last 30 years we have all seen the benefit of globalisation, and what we have in front of us is 'business going back to the old days' of boom-and-bust cycles"

Equipping Boards with the right tools to deal with ongoing levels of flux led to a question from the CEO of an insurance business asking fellow guests if they were seeing a shift in how Boards were reviewing their risk register. Citing that in the insurance industry the long-term views being taken of the market will be felt across many industries and they wanted to know if business leaders fully understood the impact that this would have on their business. This led to a question raised by the Chair, "Does risk strangle growth?"

The question was bounced around the room, with several themes emerging. Firstly, there was a need to re-evaluate risk if new investments and growth opportunities were to be realised and delivered. More specifically, Boards should review their Risk Registers, enlisting the support of experts, to help leaders understand how to view 'risk' in a new challenging environment.

The focus on growth resonated with many in the room with one NED from the energy sector commenting that, for them, the situation now offered an opportunity to grow and boost capability in 'new nuclear' to a wider audience outside the UK. Defining the framework of how this could be achieved was a key priority.

Boards need a sense of 'urgency but not panic'

'Urgency, not panic aligned to technical capability to understand risk was what Boards needed to harbour', according to another NED who felt that this was key to navigate the complexities of the current situation.

The structure, approach and cognitive diversity of the Board was an underlying theme throughout the debate. Several guests raised the importance of Boards needing to think and act agile and have in place mechanisms which enabled them to 'spot, navigate and act quickly'.

The challenges of running a business in a high inflation environment and how to manage the impact on employees was also discussed. Debate centred around several themes, including communication, compensation, and employee retention.

There was a shared view that many people feel uncertain about the future and a level of fear exists about the impact on them as individuals. Given this, more than ever before, management now needed to factor into their planning considerations for both the business and the role they play in supporting employees.

Understanding your employees' fears was essential when trying to determine the best way to reassure and retain key talent. For example, some guests felt that offering salary rises were not always the right or only solution, with due consideration needing to be given to alternative strategies such as support with travel and energy costs. The key was to make sure that your employees' concerns and fears were being listened to, understood and reassurance and support regularly communicated.

As the discussion moved on, the focus of conversation shifted to skills shortages. There was a shared view in the room that it was not necessarily the responsibility of Government to deal with skills shortages, rather businesses needing to be more proactive in working with schools and colleges to fill future skills gaps. Furthermore, there is a need to dovetail this with a more proactive approach in identifying where skills can be located at a global level. There was almost universal agreement that having a proactive graduate and apprentice scheme was key to future success.

Different opinions from intelligent and diverse sets of people will be key to navigating the challenges ahead.

Alongside this several guests shared their view and experience of cognitive diversity. One CEO mentioning that it was cognitive diversity that had helped them secure successful navigation through the Covid pandemic.

This led to several CEOs agreeing that diversity of thought and experience at a Board level is key in escaping 'group thinking' and navigating risk.

Concluding that there was a need for a different set of skills, thoughts and experience around the table was essential to meet the challenge. Cognitive diversity is key as it will broaden the scope of discussions resulting in a wider range of options being brought to the table and, critically, these options being better explored.

In summary

- Geopolitical turbulence has meant the certainties of the last 30 years, brought about by globalisation, are over!
- Business leaders will need to equip themselves with new skills and perspectives to navigate the complexities lying ahead.
- Boards need to review their understanding of risk and should re-examine their Risk Registers to identify opportunities for growth.
- The future composition and diversity of boards - cognitive diversity - will drive broader discussions and be key to organisations' future success.
- The need for business to continue to work more proactively to develop and secure talent is critical for growth.

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