

BOARDROOM VIEW: HOW TO LEAD AN ORGANISATION IN TIMES OF CHANGE

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SPEAKERS

Daniel Thomas, chief UK business correspondent, Financial Times

Ann Cairns, former Mastercard executive and lead non-executive board member of the Department for Business, Energy and Industrial Strategy

John Allan, chairman, Tesco and Barratt Developments

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FT FORUMS



DAN THOMAS

IN TIMES OF CHANGE COMPANIES NEED:

- CLEAR PURPOSE AND VALUES TO WORK TO
- A GREAT MANAGEMENT TEAM WHO THE BOARD HAVE TOTAL TRUST IN
- A BRILLIANT REPORTING SYSTEM

AS A CHAIR PERSON YOUR JOB IS NOT TO MANAGE THE BUSINESS... BUT TO SUPPORT, CHALLENGE AND ENCOURAGE INNOVATION.

A MAJOR ROLE FOR LEADERS IS TO KEEP EMPLOYEES CALM AND REASSURED DURING TUMULTUOUS TIMES.

MAKE SURE YOU KEEP A STRONG BALANCE SHEET SO YOU HAVE THE FIRE POWER TO FIGHT THE PROBLEMS THROWN UP BY SUDDENLY CHANGING MARKETS



JOHN ALLAN CBE

A SENSE OF PURPOSE IS REALLY IMPORTANT AND SHOULD BE KEY TO DRIVING DECISION MAKING.

CHOOSING PROFIT OVER THE TREATMENT OF YOUR EMPLOYEES ONLY CREATES SHORT-TERM GAIN. SUPPORTING YOUR EMPLOYEES CREATES A BETTER BUSINESS IN THE LONG-TERM.

HYBRID WORKING IS HERE TO STAY, BUT IT'S ALL ABOUT WHAT WORKS FOR EACH JOB FUNCTION AND BEING FLEXIBLE ENOUGH TO ACCOMMODATE WHAT EMPLOYEES WANT.

I KNOW THINGS LOOK BAD, BUT IF WE DO THE RIGHT THINGS WE'LL GROW

BUSINESS LEADERS NEED LONG-TERM OPTIMISM. A BELIEF THAT THE COUNTRY WILL EVENTUALLY THRIVE AND PROSPER IN THE FUTURE.

LUDIC creatives

In the latest event, Daniel Thomas, chief UK business correspondent at the FT, moderated a discussion on the challenges that face business leaders in an age of change and crises. On the panel were Ann Cairns, former executive vice-chair of Mastercard and lead non-executive board member of the Department for Business, and John Allan, chairman of Tesco and Barratt Developments, and chair of the council of Imperial College London.

Here are the highlights.

RAPID CHANGE AND THE STRIKINGLY DIFFERENT APPROACHES IN THE PUBLIC AND PRIVATE

SECTORS

Thomas asked the panellists to name their biggest personal challenges – and any lessons learnt – during the Covid-19 pandemic.

Cairns said her biggest challenge was coping with the different ways that the public and private sectors deal with change. During the crisis she took on her first government role. She said: “I thought I was used to change but working with the government over the past two years, I realised that change [happened at] a different level from what I’d experienced.”

Meetings were “cancelled at very short notice”, “nothing was particularly set in stone” and the working environment was like “a fire drill”. She concluded that it was “much more difficult than working in the corporate world”. She also thought it was less efficient. “If you are constantly chopping and changing then it can make you slower to deliver something.”

HOW TO RESPOND TO A CRISIS: THE “CONSISTENT THREAD” FOR EVERY ORGANISATION

Allan said he relearnt an old lesson: how every organisation needs a different approach. Being chair of three organisations – a food retailer, a house-builder and an educational institution – he realised that “in every case the response was different” and cut and paste solutions would not work.

He highlighted what he called “a consistent thread”. “People had to make decisions rapidly, boards had to trust management and to accept that if you make 100 decisions, and if 95 are right and only five are wrong, then you are doing exceptionally well.”

DEALING WITH THE COVID CRISIS

Different organisations responded to the Covid crisis in different ways.

According to Allan, Tesco faced the challenge of “feeding the country” by changing how it worked in a matter of weeks. When the government ordered the British people to “stay at home”, the company had to ensure that its 300,000 staff – mostly essential workers – could be safe. It introduced traffic lights to control how many people were in its stores and put partitions between checkout staff and customers.

It also went on a recruitment blitz to hire 30,000 temporary staff to stand in for employees “who had to be sent home because of medical vulnerabilities”.

At Barratt Developments, the house-builder had to work out a new way to build houses “that was safe” for workers. This might look to be straightforward because, as Allan said, “building in the open air should be relatively safe from a Covid perspective”. Nevertheless, the company talked to its industry peers about a new way of working “that would enable us to resume work safely”.

Educational institutions were among the organisations hit the hardest. “Covid brought everything to a halt,” Allan said. Students went home and the university had to “move forwards with audiovisual media for lectures and seminars”.

Mastercard “mobilised fast”, said Cairns. It took “everyone into the virtual world” and was able to “continue business as is”. This was possible because the company was global and it was already steeped in technology. Its business in China gave it an early warning about the likely effect of a lockdown. Mastercard’s fast response, and the fact that digital payments were up by ten times, meant that the chief executive could say to staff: “Don’t worry. No one’s going to lose their job this year because of Covid”. Cairns said this boosted staff confidence at an uncertain time.

PREPARING FOR THE NEXT CRISIS – WHAT TO GET RIGHT, NOW

In the wake of the pandemic, companies should “have certain key things in place” if they are to weather the next crisis.

Allan said they need:

- crystal-clear values against which management can make decisions and the board can judge their actions
- a great management team as there is no way hour by hour decisions can be made by a board
- trust between management and board. The chairman “can’t look over the management team’s shoulders – you have to trust them to get on with it”, and
- a good reporting system so that you learn what’s worked and what hasn’t.

Allan said that while his organisations learnt how to operate during Covid, the new challenge is “working out how to come out of it”.

Cairns agreed that companies needed to be clear about their purpose. “Every company should develop a set of goals and strategies and develop their purpose around the things they are good at, care about, and are at the heart of their business,” she said.

Any statement of purpose should be authentic. “As soon as you see companies going outside their area [of competence], you become a bit sceptical about what they’re really trying to do and what message they’re giving,” she said.

HOW COMPANIES SHOULD OPERATE IN UNCERTAIN TIMES – LOOK AFTER CUSTOMERS AND WORKERS

Allan said companies needed to make the right trade-offs between stakeholders and shareholders. In the case of Tesco, he said the company put customers and workers first.

With “customers suffering badly from the cost of living crisis and trading down...to make their money go further”, Tesco helps by holding down prices, challenging suppliers who put up their prices and offering lower-priced alternatives such as own-label and “entry layer” products.

Tesco is also running adverts to provide information, including one that “challenges customers to look in the fridge before they shop to avoid food waste” and another that shows “meals you can make for a family of four for £2.50”.

The company also has a “kids eat free” promotion in Tesco cafés. “We are conscious that people who benefit from free school meals have to find the money to feed their kids during the holidays.”

Turning to workers, Allan said Tesco focused on “looking after those in the frontline. He said the company had approved a pay increase – the third in 10 months.

Cairns said many companies were taking a similar, incremental approach to pay increases. She said: “Companies [are] making one-off adjustments rather than building in year after year inflationary pay rises. They’re trying to avoid systemic, long-term solutions that will hurt profitability.”

Inevitably the company and its shareholders foot the bill. Allan said: “You have to recognise that you can’t satisfy everybody equally all of the time.”

Tesco is expected to deliver profits that are “roughly speaking flat compared with last year”. Allan said if Tesco had not looked after customers and colleagues it “could have made more money”. But the company’s view, supported by shareholders, was that “this would have been a kind of temporary gain”.

In winning support from shareholders, Allan said communication had been critical: “What we’ve done is be very upfront, tell them what we’re doing and what the implications would be.”

GO HYBRID: HOW COMPANIES SHOULD APPROACH THE DEMAND FOR FLEXIBLE WORKING

Cairns said Mastercard adapted smoothly to out of office working during the pandemic. Now, however, hybrid working – with people dividing their time between offices and their home study – is “the future”.

The working from home phenomenon has drawbacks, not least for younger workers who “want to be in an environment where they make friends”. Some “have never met their co-workers” while those in their first job may also have “gone through university and had the experience of being isolated there as well”.

Allan agreed that “there is a price to be paid, particularly by young workers” because of WFH. He said the days of 9-5 in the office were over: “When people have been through a profound, traumatic experience, it would be naive to assume that you can wave a magic wand and go back to what it was before.”

Companies should make it possible for people to work flexibly, depending on their preferences. At Tesco, he said, “we’ve tried to respond by giving people the opportunity to work more or fewer hours if it suits their needs”.

QUESTIONS FROM THE ONLINE AUDIENCE

How important is the net zero carbon emissions challenge for companies? What do leaders need to do to ensure they deliver net zero?

Allan said: “It’s not only a challenge – it’s a necessity.” He then explained that the real problem was not Scope 3 emissions – those beyond the direct control of a company.

He said many business leaders were asking: “How do you define Scope 3 emissions – the things that you are not directly responsible for but which you’re going to make yourself accountable for”.

As an example, he said supermarkets had to decide whether their responsibility for emissions began with the methane-producing cattle grazing in the Amazon basin, or when the food reached the point of manufacture.

How should companies minimise cybersecurity risks?

Cairns said “cyber risk is one of the biggest risks on any risk committee’s radar”. She said the threats came not just from people committing fraud but also from malicious state actors. Typically, she said, a bank’s board and the risk committee, which oversees the company’s response to cyberattacks, meet monthly.

Allan said Tesco took cybersecurity seriously, not least because “with millions of customers – including 20 million Clubcard holders – the whole thing is held together by technology”. A cyber attack could inflict financial and reputational damage. “One of my ambitions on the board is to get people constantly worried about cybersecurity and not feel complacent,” Allan said. “I think we’re all vulnerable, one way or the other. All you can do is build your defences faster than the bad guys build the means of attack.”

What skills are required of today’s business leaders?

Cairns said communication skills were imperative. This meant being able to communicate through all channels and “knowing what to say”, not just how to say it.

Allan agreed that communication skills were essential. He said the most effective leaders could “define what needs to be done, motivate people to do it, and then ‘communicate, communicate, communicate’. You can’t communicate too often and too much”. He said communication could be a challenge in the digital age. For instance, the ease with which leaders can speak directly to staff means “you have to be careful not to cut out the middle managers – you still need them to make things happen”.

Turning to non-executive chairs, Allan said they needed “a very different set of skills” to those they used in a CEO role. In particular, he said, “you need to be able to listen; you have to be able to influence people to do the right things, persuade them to do the right things”.