



# Big Business Defenders in Short Supply

Demand for highly effective Heads of Internal Audit, Reward Directors and Company Secretaries is likely to increase in a Covid environment – but supply of quality candidates will be the challenge.

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**Out of every downturn there are winners and losers - high quality individuals in these roles add significant value and will play a central role in determining how well their organisation emerges out of this.**

With the global economy in recession as a result of Covid-19, Big Business has the crumb of comfort that unlike in past downturns, this time it is not to blame. Nevertheless, customers, governments, the media and society at large are still carefully scrutinising every action of large companies and passing judgement on whether they are doing 'the right thing'.

Step in our Big Business Defenders – the Head of Internal Audit, Company Secretary and Reward Director – three executive roles in UK PLCs which interface extensively with the Board and are deep areas of expertise for Hedley May.

The exercising of astute judgement is the differentiating feature Hedley May looks for in identifying best in class functional leaders. As the crisis unfolds, these three executives will be at the heart of many key decisions, with their judgement being tested under the most extreme circumstances.

Already we have seen the issue of executive pay loom large with executive teams taking pay cuts and foregoing bonuses, with decisions on LTIPs still to come. For audit, and future risk management and assurance, key decisions are being taken on which audits to prioritise, in a world where they are done from the desktop rather than on the ground. For the Company Secretary, their role in facilitating a board to function effectively, virtually, and also making appropriate decisions around disclosures, has never been more prized.

As the economic gloom deepens, many more critical decisions balancing commercial imperatives with stakeholders' expectations will be required. Out of every downturn there are winners and losers - high quality individuals in these roles add significant value and will play a central role in determining how well their organisation emerges out of this.

In this article we analyse the market for this talent with the following key findings:

- For Heads of Internal Audit and Reward Directors the market pre-Covid was already active, and the crisis environment will only increase demand. The market though is light on actual talent, so replacing an underperformer with an outperformer requires looking beyond the usual pools.
- The market for stand-alone Company Secretaries is more muted. The talent pool is not strong but, if necessary, companies can combine the role with the General Counsel.
- All three roles represent a good opportunity to bring in diverse talent.

	Market	Talent	Diversity
<b>Head of Internal Audit</b> Underdeveloped function will struggle to meet increased demand	●	●	●
<b>Reward Director</b> Significant uptick in demand heightened by a retiring generation	●	●	●
<b>Company Secretary</b> Lack of high calibre talent necessitates bespoke solutions	●	●	●

● weak    ● strong

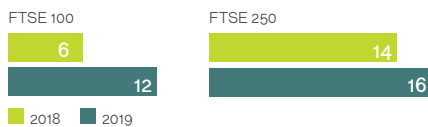
## Head of Internal Audit - Underdeveloped function will struggle to meet increased demand

### Market - highly active and competitive

2019 saw the FTSE100 appoint twice the number of Heads of Internal Audit compared to 2018, with 12 appointments.

This active market is likely to continue as boards place increasing emphasis on assurance and risk management in a Covid and post Covid world.

#### Head of Internal Audit appointments rise



### Available talent

Paucity of talent across the FTSE 350 Head of Internal Audit functions requires companies to consider talent beyond the FTSE or internal succession options:

- **50%** of FTSE 100 external appointments in 2018 and 2019 came from outside the FTSE – 3 from outside UK PLCs and 1 from the Big 4.
- **56%** of FTSE 100 appointments in 2018 and 2019 went internal. Internal appointments were most common in financial services companies, which due to their scale have, still not perfect but, slightly stronger internal succession pipelines.

### Diversity

Internal Audit is one role within the Finance function which has been able to develop greater levels of diverse talent.

Head of Internal Audit - 2018/2019 FTSE 350 appointments



CFO - FTSE 350



### Notable 2019 appointments

Anglo American - Barclays - Johnson Matthey - Rolls Royce - Aberdeen Standard - HSBC

## Reward Director - Significant uptick in demand heightened by a retiring generation

### Market - highly active and competitive

Issues of executive compensation never quite got out of the headlines and this crisis has brought them to the fore again. This market will continue to be very competitive.

The imbalance between demand for Reward Directors and supply meant that these searches were amongst the most complicated and typically open for the longest. This is a trend which will be accentuated in a Covid environment.

#### Reward Director appointments 2018/2019



\* Not all FTSE 250s have a Reward Director.

### Available talent

#### The retiring generation

The challenge is compounded by many of the 'big name' Reward Directors heading towards retirement. This is hitting the market now and so identifying the next generation of stars is not easy but has become an imperative. Searching broadly for talent will be key.

### Diversity

Good level of diversity within the wider HR function which is the strongest developer of diverse talent.

Reward Director - FTSE 100



Group HR Directors - FTSE 100



### Notable 2019 appointments

Burberry - Imperial Brands - Rolls-Royce - RBS - Tesco

## Company Secretary - Lack of high calibre talent necessitates bespoke solutions

### Market - lower activity

High quality Company Secretaries will be prized, and lower performers are likely to struggle to operate at the level the crisis requires.

The market has not been as active as reward and internal audit.

#### Company Secretary appointments



Standalone Company Secretaries numbers are decreasing.

### Available talent

Companies turning to General Counsel to play a 'double-hatted' role, encompassing the Company Secretary remit.

The number of standalone Company Secretaries decreasing has been driven by the limited pool of Company Secretaries with the requisite leadership skills to perform the role. In a Covid environment, the pressure on those 'double-hatting' will be intense. It may spark a debate about splitting the role but in the end the paucity of strong standalone Company Secretaries means the status quo will probably prevail.

### Diversity

Strong level of diversity across standalone Company Secretaries compared to those in a 'double-hatted' role.

Company Secretary - FTSE 350



Combined General Counsel & Company Secretary - FTSE 250



### Notable 2019 appointments

BP - HSBC - RBS - Standard Chartered