

## Financial Focus

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'What are the most fundamental long term changes our businesses will face post-pandemic?'



Contributors include:

# “What are the most fundamental long term changes our businesses will face post-pandemic?”

This paper has been produced following a round table discussion attended by representatives from industry, accounting firms, accounting bodies and financial journals, and is primarily focussed on the UK market.

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## “The biggest changes business will face will be the ones that we have not predicted yet.”

Roger Barker – Director of Policy & Corporate Governance, Institute of Directors

Roger Barker’s opening statement in the discussion centred around three core areas of challenge that are already on the business horizon: regaining trust, driving innovation and growth, and achieving net zero by 2050. However, the biggest challenges that business face may well be the ones not yet predicted. Even a year ago, it would have been, even for the most pessimistic, almost unimaginable that this round table would still only be able to gather virtually. However, the dramatic changes we have all experienced do present opportunities for both business and society to remodel.

## Rebuilding the Trust between Business and Society

“The pandemic has presented an opportunity for a fundamental repositioning of business in terms of its role in society.”

Andrew Allner – Non-Executive, Chairman SIG

The past 12 months have placed a spotlight on underlying issues in society, particularly in inequality across race, wealth distribution, gender, and the work environment. While many service sector businesses grapple with the “new

normal” and remote working, there are huge disparities in people’s access to a safe working environment. According to the Economic Policy Institute in the US, 1 in 5 Black or African American workers has opportunities to work from home compared to one in three of White workers, and top quartile earners are six times more likely to be able to work remotely<sup>1</sup> This disparity has also tragically been reflected in morbidity statistics with COVID-19 death rates for Black males being 3.3 times higher than for White males of the same age<sup>2</sup>.

“There has been a massive polarisation of experience between the people on the front-line vs at home which has exacerbated issues of the haves and have nots.”

Anthony Pipe – UK FD, Fujitsu

The experience of employees and the public during the pandemic has not improved the reputation of business. Businesses have lost the trust of society and are increasingly seen as exacerbating inequality. In 2020 the top 1% of US households captured 35% of extra wealth gained nationwide<sup>3</sup>. And this is set to continue with technology-based business models breaking down regional barriers and showing the ability to scale at a global level, providing enormous market share and huge returns to a shareholders of relatively few companies.

“How do we handle retail departing the high street in droves - in terms of taxation. A holiday in business rates has not saved the high street. Do we need to think differently in terms of carbon impact.”

Philip de Klerk – CFO, C&J Clark International

Whilst individual taxation will continue to be a heated political debating point, it is evident that large business will continue to use an increasingly globalised world to reduce taxation. 55 Corporations within the S&P 500 and Fortune 500 paid nothing in Federal Taxes on 2020 profits<sup>4</sup>. However, arguments on growth and the economic benefit of low corporate taxation compared to the benefits of increases to the public purse will continue. As US Treasury Secretary Janet Yellen recently expressed, we have seen a “30-year race to the bottom”<sup>5</sup> with countries competing on tax policy to attract business. It is clear that society has a desire to see business “pay their fair share” and a global minimum corporation tax rate could be one mechanism to achieve this.

## The Importance of Green Growth

“The UK is redefining its place in the world, and needs to position itself as a home to trade and investment.”

Michael Cole-Fontayn – Chairman, AFME

The long-term impacts of the pandemic will be felt across the world. However, the economic impact in Britain will also be tied to how well the country responds to Brexit. The group discussed at length how investment, in both business and people can greatly impact a country’s economic performance on the world stage.

“The only way out of this debt crisis is to drive innovation and productivity.”

John Neill CBE – Chairman & Group Chief Executive, Unipart Group

It is clear that the time for innovation in green technology and industry is already upon us, with the effects of climate change continuing to impact societies around the world. It is readily apparent that society will no longer accept companies that do not make commitments to doing business the right way.

“Economic Growth and Net Zero cannot be divorced. The rise of sustainable finance is at an inflection point with the transfer of wealth to younger generations.”

Ali Miraj – Director, Infrastructure Finance ING Group

One only need look at Larry Fink’s BlackRock to acknowledge how even stalwarts of traditional industry and finance are shifting to sustainable finance. BlackRock now requires all invested companies to report full ESG metrics. As the younger generations grow into society’s more prominent voices, it is clear that business has many more stakeholders than just their direct customers. The continual move into a data-driven world that we have all experienced over the last decade will play a big part in helping businesses assert their green credentials, but society continues to grow in lock step with data acumen. No longer will short press statements allow companies to greenwash their activities.

“There is a big data issue with regard to quality assurance in ESG. Balanced reporting is required to avoid greenwashing.”

Charles Tilley OBE – Executive Chairman, CGMA Research Foundation



## Leadership as a Cornerstone of Success

Employees too are starting to see through the “culture façade” that many companies have operated. Only a year ago, many employees were receiving news of their redundancy, together with hundreds of colleagues, over Zoom calls. These mass redundancies were not just the tool of cold corporations but of companies that had preached family and culture.

“Business didn’t stop talking about the value of valuing people, but that’s not what the public heard.”

Chi Onwurah – MP Shadow Minister, Science, Research & Digital, House of Commons

As economic activity comes back to life, companies need to have their people at the top of their agenda. It’s very easy to interview and change jobs from the comfort of your living room.

“The role organisations play in nurturing the best ecosystem to drive innovation and percolate the right ideas is never more important.”

Andy Cottrill – Partner, Q5 Partners

The group were unanimous in agreement that one “must-have” in a successful office culture is inclusivity. Society as a whole can only benefit from business providing the leadership and showing the right way to nurture talent, opportunity and development. However, for business to lead society, businesses require great leadership.

“It’s one thing fixing the representation, quite another to fix the cultures and the values.”

Suki Sandhu OBE – Founder & CEO Audeliss & INvolve

The group noted that most if not all successful organisations share similar traits: a strong purpose, adaptability, and crucially, leadership. Furthermore, these traits no longer just extend to employees, but they extend all the way through to the customers and right back up to the start of the supply chain. It is no longer possible for a business to





avoid having the tough conversations with suppliers - and we have seen that recently with both H&M<sup>6</sup> and IKEA<sup>7</sup>, two of the UK's leading retail brands.

*"Leadership is crucial to trust and empower colleagues."*

David Lavarack – Executive Director Corporate Services, Peabody

The big challenge leaders will face over the coming months is how they can effectively manage the return to work through the mix of in-person, remote, and hybrid working. The act of balancing innovation, inclusivity, and talent availability will be a critical success factor for all businesses. Technology has made huge strides to keep up with demand to replicate the experience of a meeting, yet a digital hand clap still pales in comparison to the real thing.

*"Remote working disproportionately impacts new joiners more than the existing team, particularly those just starting their career."*

Toby Chapman – Partner, OC&C Strategy Consultants

For some, including David Solomon of Goldman Sachs, remote working is an "aberration". Many would argue that even a hybrid model disenfranchises many from those casual conversations and networking opportunities. However, remote working has had huge benefits for many in improving their work-life balance by saving on a commuting time or by enabling more flexibility for personal time. For the past six months there has been a binary reaction from the media - "the end of the office" competing with "employees desperate to get back" - but the truth very much lies in the middle and the companies that prosper will be the ones that are able to adjust to get the most out of their people.

*"While hybrid working has benefits, nothing can replace the office as the cultural centre of an organisation, a physical space where colleagues can meet, engage in human connection and collaborate."*

Melanie Lee CBE – CEO, LifeArc

## Conclusion

As a group of leaders this forum was unanimously in agreement that each of us will have a crucial role to play to take on the challenges that we face as organisations and as society. It will be leaders that will continue to define the UK's place in a globalised world, and in a period when trust in governments is at an all-time low, business has a responsibility to fill the leadership vacuum. As innovation and growth will continue to be vital, it is crucial for leaders to have the following priorities at the front of their mind: a laser focus on employee engagement and inclusivity, investment in talent, and a drive to accelerate green growth. It is only by meeting these goals that business can recontract their relationship with society, winning back trust and prosperity.



### Endnotes

- 1 [Economic Policy Institute](#)
- 2 [ONS-COVID-19 related deaths](#)
- 3 [Bloomberg wealth gains](#)
- 4 [Institute on taxation and economic policy](#)
- 5 [Janet Yellen proposes bold idea](#)
- 6 [BBC News: Nike, H&M cotton concerns](#)
- 7 [Earthsight: Ikea's response to illegal timber](#)



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# About the Tomorrow's CFO® Forum programme

Run in collaboration with the Association of International Certified Professional Accountants (AICPA & CIMA), as part of the Tomorrow's CFO® initiative, these invitation-only roundtables are designed to facilitate engagement amongst a community of senior finance practitioners, and offer an opportunity for finance leaders to share knowledge, experience and expertise directly with their peers.

To address the most pressing issues concerning the future of the finance profession, each Forum event focuses on a specific and challenging question, chosen to stir opinion and provoke debate.

Tomorrow's CFO® Forums are held on a regular basis throughout the year. If you are a senior finance practitioner, and you would like to be a part of future events, then please visit the Tomorrow's CFO® page at [metapraxis.com](http://metapraxis.com) to leave your details and express an interest.

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