



Beyond Governance

Creating clarity, improving business

DECISION
MAGAZINE



The Responsible Business

A meeting with:

Paul Abberley

Chief Executive Officer

Charles Stanley

Extract from a DECISION magazine report co-commissioned by Beyond Governance

Introduction

What we are experiencing could be described as the business equivalent of the perfect storm.

The convergence of a new generation with a distinctive mindset, the sudden realisation and acceptance that the environment clock really is now counting down, coupled with the dramatic increase in the pace of technological advances, and the impact of Covid-19 which has been to fast-forward change.

As a consequence, are we having to re-evaluate the purpose of a company its priorities, indeed the role of governance?

So how would we now define what constitutes a responsible company – and who should it be responsible to?

Arguably, being a responsible business provides the foundation for sustainability, innovation, productivity, because it establishes a culture which has the required mind-set. But what are key characteristics, and how might they change over time?

For a digital book co-commissioned by Beyond Governance, to be published by DECISION magazine, directors from across generations and market sectors share their thoughts.

This is one of the interviews to be included.

Paul Abberley Chief Executive Charles Stanley

“Every company ought to have a particular purpose in life, although that purpose can evolve. We support our customers in the financial planning of their lives, to maximise the life they want to lead. That’s what we’re here to do today. But we began as a bank some two and a half centuries ago in Sheffield to help entrepreneurs kick start the industrial revolution.

“When I started my career in the 1980s, a company being a good corporate citizen was largely determined by the legal framework at the time. It respected the rules and laws of the country and paid its taxes in good faith. The goal, with laser focus, was delivering shareholder value from that platform.

“Today being a responsible company is much more than that. It’s not just compliance but understanding and contributing to the needs of society and then meeting that expectation. The trajectory is resulting in a better balance with all stakeholders.

“There are two major components to a responsible business. Meeting legal and regulatory requirements – and then wanting to go beyond them on a discretionary basis.

“The consumer duty regulations provide an interesting fusion with what is expected in financial services in terms of responsible behaviour. Back in the 1980s it was still an era of caveat emptor for the purchaser of financial services. Now the regulations require a firm to foresee if there could be possible financial harm to the client down the line. It isn’t enough to say everything has been explained properly; we have to put ourselves in the client’s shoes and ask ourselves if it is really the right thing.

“This is new territory, raising the bar in duty of care. A responsible business would have already been working along these lines but probably not systematically.

“I wouldn’t want you to think I’m claiming the moral high ground, but what is truly humbling is when we meet affluent rather than highest worth individuals who are trusting their savings with us to achieve their life goals. If they are badly invested, that won’t happen.

“The amount of trust placed in us is enormous which leads me to say the dial has been moved for companies, so not only do they have to meet their responsibilities, however they are defined, but they have to feel a sense of responsibility to the customer, and to all the stakeholders for that matter.

“You could say it’s a leap of faith, but if you do the right thing for the client, profit will follow. It’s about identifying and delivering services which will actually benefit the client rather than seeing the client base primarily as a means of delivering a return.



Paul Abberley

“Of course this needs a longer term approach. It’s going to be harder to achieve if there has to be a focus on quarterly financial reporting.

“It’s interesting how our thought processes about what constitutes ‘responsible’ in business have changed. Thirty years ago a company might have debated whether to have all its waste taken to landfill to reduce cost. The decision would probably have been not to, because even though it would have been a perfectly legal move at the time, it still would have been environmentally damaging. Today we would think how could you even ask that type of question.

“I would say that now, very much culture drives process because whether processes are followed effectively and consistently will be determined by an organisation’s culture. I’m a big believer in proactive engagement. I remember a CEO telling me their company didn’t invest in internal communications because it didn’t want staff to be distracted!

“But of course it’s not enough that people understand their role. If they appreciate where it fits into the bigger picture, the company strategy, productivity is higher and they will come up with ideas about better ways of working precisely because they feel engaged.

“Governance is the combination of everything, the rules and the culture, how the company is run, how decisions are made and reviewed, who owns them, who is empowered, how people engage with each other.

“There can still be a view that governance is a bit of a formal nuisance, but that depends on a leadership’s interpretation. Some CEOs will take a military ‘just do as we tell you’ approach. The other way is to be inclusive and to encourage questioning. If someone thinks a bad decision is being made, let’s hear why they think that.

“It comes down to whether governance is a top down directive or inclusive. The latter is admittedly slower paced, but an organisation gets better decision-making as a consequence and critically is more likely to avoid major risks.

“Governance needs an open culture. My predecessors at Charles Stanley must have sought the views of others to see over the horizon or we wouldn’t still be here today after 230 years.

“Where society is moving plays to all of this. Gen Z is not used to having people bark orders at them. They want to understand why they are being asked to do something in a particular way, and unless a company is willing to accommodate that, it will struggle to attract and retain motivated people.

“We did a lot of reverse due diligence when US-based Raymond James Financial wanted to acquire us, and one of the reasons we engaged is that their culture was so similar to ours, in long-term thinking for example.

“We should move on to ESG, which also has an increasing influence on behaviours. In the 1990s, financial services in the City cut across all social strata, but as we moved into the new century the focus changed with the requirement for new entrants to have a degree, which meant the gene pool narrowed.

“So many bright, capable people were ruled out, but ESG is encouraging a growing awareness of the need for more social mobility. That doesn’t happen by a firm simply declaring its doors are open, but by defining how it can actually make financial services more accessible as a career. This isn’t about dumbing down but attracting talented people whose life experiences haven’t put them in the front row for financial services recruitment.

“If we look at ESG from an investment perspective, a company’s commitment to it would be an indicator. But the sensitive bit is how do we give clients the opportunity to invest in companies committed to ESG when there might be some sacrifice in return.

“In a client review we can be asked to manage a portfolio on the basis of carbon neutral, and we have the analytics to determine that. The question is whether the financial services sector should nudge clients in that direction.

“The Cop26 United Nations climate change conference in Glasgow concluded that private sector savings will have to be harnessed to achieve carbon free economy.

“The climate crisis is so severe, should we be saying to clients that they should deploy their savings to help solve this problem, to make a positive contribution to decarbonisation?

“Some in financial services are already arguing that the imperative to deal with the environmental challenge is such there is no time for diffidence, and that the predisposition should be that unless the client says otherwise, investments will be made with companies which meet particular environmental criteria.

“There is another macro-level consideration, social capital, which is often underestimated. I’m talking about a set of shared values, of resources that allows individuals to work together to effectively achieve a common purpose. The basis of that is widespread trust, which in the western world is being eroded at

speed. For the free market to work effectively, it needs the right social as well as legal and capital frameworks. So part of the role of the private sector is to build social capital because we are dependent on the benefits which flow through to all stakeholders.

“Where does the lead come from? Business shouldn’t be attempting to set the rules which define the direction when it comes to how society operates. Setting the framework is the role of what I would describe as civil society rather than corporate society.

“Let me give you an example which should provide some clarity. In civil society today, leaving aside an individual’s own personal views, there is broad acceptance that with LGBTQ, the problem of discrimination needs addressing. A company has to respond to that so it isn’t sleepwalking into the wrong behaviours, but it is civil society which identifies the issues, reaches a consensus, and then corporate society has to ensure that it can improve things rather be part of a problem.

“So the corporate sector cannot address climate change by itself. There needs to be a civil society framework from government, but their record in central planning has been woeful in the past. I wonder if someone arrived from another galaxy and did a quick audit of a country’s carbon zero plan, whether they would find it amusing rather than practical. The scale of this particular challenge is gigantic, compounded by having over 150 governments who really don’t speak to each other strategically.

“And there is another significant issue. It isn’t sustainable for half of the world’s population to be on or below the poverty line, and it’s a simple fact that bringing the whole world up to western living standards with the demand it would place on current resources isn’t sustainable let alone achievable either.”

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Beyond Governance is a multi award-winning full service consultancy that collaborates with the c-suite, chair, board and investors to unlock value, resulting in increased shareholder and stakeholder confidence, increased share prices and achievement of business objectives.

Our three distinct service offerings, are dedicated to addressing the most critical issues and opportunities facing our clients. Our strength lies in creating value that transcends traditional boundaries and connects the silo'd elements within organisations.

Our Boardroom Advisory team specialises in strategy, organisational design, operational efficiency, technology integration, transformation initiatives, digital strategies and analytics, corporate finance and mergers & acquisitions as well as sustainability.

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Our Training teams works with institutions big and small to help narrow the gap between theory and day-to-day practice. Industry experts had expressed concerns regarding the future outlook of the governance profession, and we felt we could help address these needs by sharing our experiences. Our training clients include members of the Big 4 and FTSE.

In 2020, Beyond Governance became the UK's first certified B-Corp consultancy in its sector.



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*The interview with Paul Abberley was
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About DECISION magazine

First published in 1988, DECISION magazine reflects the business lifestyle, the trials and tribulations, the hopes and aspirations of business owners and directors responsible for businesses with a turnover of £5million and above across the south of England and London.

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