

Big Business Defenders in Short Supply

Highly effective Heads of Internal Audit, Reward Directors and Company Secretaries are in short supply... just when they are needed the most!

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Subject matter expertise and technical proficiency are no longer enough - all three roles now require the influencing skills to build credibility at Board level and drive commercial decision-making, leaving many of the incumbent office holders exposed.

Big business has taken a hammering from politicians and the media for 10 years. Whilst the election may signal a change in tone from government, few expect UK plcs to be greeted like long lost friends.

Against this backdrop we analyse the ‘Big Business Defenders’ – three critical roles at the heart of the UK plc’s machinery for shaping a company’s approach to governance, regulation, reward and risk management – the Head of Internal Audit, the Reward Director and the Company Secretary.

High rates of turnover in the last few years reflect pressure to raise governance standards, improve communication with shareholders and navigate complex multi-stakeholder debates on executive reward and risk management.

However, replacing an underperformer with an outperformer has proven to be no easy task and as this study shows, the situation is unlikely to improve in the short term.

Limited clues as to the direction of travel in the Conservative Party 2019 manifesto

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 We will strive to achieve the right regulatory balance between supporting excellent business practice and protecting workers, consumers and the environment.

Through our Red Tape Challenge, we will ensure that regulation is sensible and proportionate... using our new freedom after Brexit to ensure that British rules work for British companies.

INTERNAL AUDIT — UNDERDEVELOPED FUNCTION WILL STRUGGLE TO MEET INCREASED DEMAND

Appointments on the Rise



Female Appointment Increase

31% (15 out of 48) of Head of Internal Audit appointments in 2018 and 2019 across the FTSE 350 were female.

This compares favourably with gender diversity across the Finance function – 23% (11 out of 48) of CFO appointments in 2019 across the FTSE 350 were female.

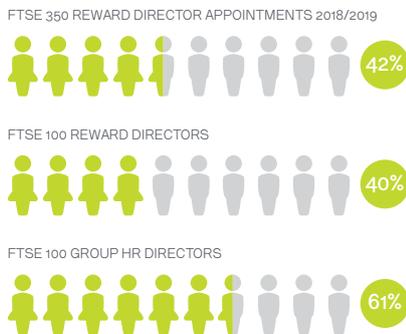
Paucity of External Talent Pushing Companies to Consider Internal Options

» The FTSE 350 Head of Internal Audit functions are still not producing the quality of individuals required to satisfy the increasingly high bar for the role. For this reason, 50% of FTSE 100 external appointments in 2018 and 2019 came from further afield – 3 from outside UK PLCs and 1 from the Big 4.

» 56% (10 out of 18) of FTSE 100 Head of Internal Audit 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.

REWARD DIRECTOR — SIGNIFICANT UPTICK IN DEMAND HEIGHTENED BY A RETIRING GENERATION

Good Levels of Gender Diversity... but lagging behind Group HR Directors



Highly Active and Competitive Market

There were 28 Reward Director appointments at FTSE 100 companies across 2018 and 2019. In FTSE 250 companies for the same period it was more measured – 27 Reward Director appointments – in part, because not all FTSE 250s have a Reward Director.

The Retiring Generation

Many of the ‘big name’ Reward Directors are heading towards retirement. Our analysis is that this will hit the market over the next two years and so further fuel demand for Reward Directors.

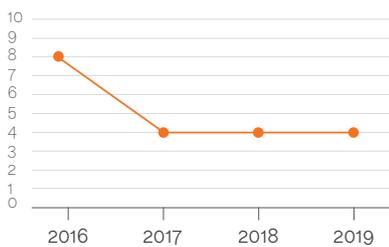
Searches Proving Complex

64% (18 out of 28) of FTSE 100 Reward Director appointments in 2018 and 2019 were made externally. The imbalance between demand for Reward Directors and supply meant that these searches were amongst the most complicated and typically open for the longest.

COMPANY SECRETARY — LOW MARKET ACTIVITY — BUT STILL A QUALITY MISMATCH

Appointments Flatlining

FTSE 100 Company Secretary appointments



Female Appointments Increase

55% (12 out of 22) of Company Secretary appointments in 2018 and 2019 across the FTSE 350 were female. This figure compares favourably, even in the context of a function with high gender diversity – 45% of FTSE 350 Company Secretaries are female.

Standalone Company Secretary Numbers Decreasing

The number of standalone Company Secretaries in the FTSE 100 has decreased from 53 in 2017 to 50 in 2019. 41% of FTSE 250 companies have a standalone Company Secretary.

This is driven by a combination of cost considerations and the limited pool of Company Secretaries with the requisite Board credibility. Companies are turning to General Counsel to play a ‘double-hatted’ role encompassing the Company Secretary remit.

Supply Still Struggling to Meet Demand

Six out of eight FTSE 100 Company Secretary appointments in 2018 and 2019 were made externally. Companies had to consider a wide range of options when making these appointments, including looking at candidates from outside the sector or not currently in role.

Legal & Corporate Governance



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HR & Reward



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Karen leads the HR Practice at Hedley May. She is dedicated to finding the most transformative HR leaders.

She brings unparalleled experience of identifying outstanding Chief HR Officers and their direct reports, including Head of Reward.

Finance & Audit



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Verity leads the firm's Finance, Audit and Risk practices. As well as her deep expertise in these appointments, she is committed to bringing higher levels of diversity into the Finance Function.

56% of all Hedley May's Finance appointments have been diverse.



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