YS UP GOVERNANCE AND BOARDS PODCAST

Episode 15 – IPO, ASX Listing and Leading a Law Firm with Reece Walker – McCullough Robertson Lawyers

Transcript

Intro:

Welcome to YS Up Governance and Boards podcast brought to you by 3YS Owls Governance Consultants. Covering hot topics in governance, risk. latest regulatory changes and issues keeping directors and executives awake at night. Here are your hosts Ainslie Cunningham and Deb Anderson.

Deb Anderson:

Welcome to today's episode of YS Up. Today, we are joined by Reece Walker. Good morning Reece.

Reece Walker:

Morning.

Deb Anderson:

Reece is a leading capital markets lawyer and has extensive transactional experience in public and private capital raisings, mergers and acquisitions and restructures. Reece's broad experience includes applying his knowledge of the Corporations Act and ASX Listing Rules as well as advising on governance, stakeholder management, employee share and option plans and general commercial issues. Reece has been consistently rated as a leading capital markets and corporate M&A lawyer, by Asia Pacific Legal 500 providing high quality advice and being committed to the clients' needs. Since 2017, Reece has been ranked in the Corporate Law Category of Best Lawyers Australia. His work has covered the life sciences, technology, telecommunications, travel, food and agribusiness, engineering and resources sectors. Are there any others one's that I've left out Reece?

Reece Walker:

No, that about covers the field, thanks Deb.

Deb Anderson:

His clients include multi-national corporations, ASX listed companies and early stage companies with high growth potential. Reece is Chair of Partners and a member of McCullough Robertson's Executive Leadership team. Welcome Reece.

Reece Walker:

Thanks Deb, thanks Ainslie.

Ainslie Cunningham:

Very impressive. So, tell us a little bit about Reece Walker.

Reece Walker:

Yeah, thanks Ainslie. Look, I think Deb very kindly covered a fair bit of the territory there in the intro, but for me in my professional career, I've always been a corporate lawyer specialising in ECM. So, equity capital markets, mergers and acquisitions and governance issues. In more recent years, I've had the opportunity to also further my experience in the leadership space within our firm and also with some voluntary directorships. And I think it's an interesting intersection between advising companies on governance issues and also getting to see how they work in practice from my own personal perspective.

Ainslie Cunningham:

Yeah, it's a really unique perspective to have Reece, and I think too, a lot where they do interject is kind of really where the magic happens for a lot of companies that I guess, embark on that IPO journey.

Reece Walker:

Absolutely. Look, I think you're seeing too the flow of trends in the ASX listed space coming into private company space as well. So, a lot of the lessons from the ASX listed space are actually really relevant for companies that are going on the IPO journey who will need to live up to those standards, so to speak. But they're relevant for all companies to have an awareness of because those trends are really flowing through.

Ainslie Cunningham:

Yeah. I think that's the biggest pain point for us. We find that the companies aren't getting ahead of governance earlier on in their life cycle.

Reece Walker:

Absolutely. And I think that's where it's really important for companies to generate their awareness of what those issues are. Before you set about solving them you need the base level of understanding of what those issues are and where they're sitting on the spectrum of the practices, policies, culture that they may have and where they need to get to. And I think one of the key observations for me advising in that space is often companies leave that until too late in the journey so they're not engaging with governance professionals to set up all of those things that they need to address. And it's actually very difficult to leave it to the last minute, if you're doing it at the backend and just treating it as merely a compliance exercise, you're not really going to get the value out of doing it, and it also means that you're probably not going to go about it in the best way.

Deb Anderson:

And it can be incredibly overwhelming too, not just in terms of policies and procedures you need to implement if you haven't had them in place before, all of a sudden you've got all this governance you've got to put in place. It can be quite overwhelming.

Reece Walker:

I think that's right Deb. Look there's, I guess, an assumption sometimes that there's a template or a checklist that'll fix that. And it's actually not that easy. I mean, some of it's about the fundamental cultural piece and it'd be good to discuss that further, but in terms of the technical piece, each of those policies takes a while to bring together. There is a basis which or there is some commonality to the way that a lot of the charters are drafted in particular policies, but each company is going to be different. And for example, I had a director ask me the other day about just putting in place a template governance charter, and within a few minutes of starting that discussion, it was quite obvious that that particular director for the purpose of the ASX would be deemed not independent, which then means that he wouldn't necessarily comply with a lot of the listing rules around independence and majority of independent directors on the board, for instance.

Reece Walker:

So that sets off a whole range of discussions about how you either disclose against that, or whether structurally you try and change that, again, none of those changes can happen on the eve of listing. It needs to be a real journey. And I think there is sort of a timetable for an accelerated IPO where it's a clean skin IPO, very simple, may have one technology already have all of the things in place.

Reece Walker:

You might be lucky and optimise that to around a three-month timetable, if you are very lucky. My experience is that that's very rarely the case, and there's usually a couple of things that come up during the course of the process so it may actually be a six-month process. If you've got a company that's got no previous experience of listing and the founders or directors are not experienced in that space, they're not working with advisors that are experienced in that space, it may be more realistic to allow up to 12 months to work through all of those issues, because there's a range of financial, legal and governance issues that need to be put in place. And obviously from the company secretarial and governance side as well, to make sure that they're working with someone that's got the right experience, who can take them through that IPO process, but also then have the right skills to advise them post IPO. Once they're in a continuous disclosure environment, which is really a new world and quite a culture shock for a lot of companies to be in.

Ainslie Cunningham:

Yeah. And I think it's a culture shock for employees as well. So like you've mentioned sort of tech, start-up and things like that. They are very much a unique culture in their own right. The sort of t-shirt wearing, sand shoe wearing, pat on the back sort of club. And they really struggle when it comes to suddenly been given all these policies and procedures that they have to comply with that they might not really understand. And I think that's where the implementation and staff training and increased awareness, sort of needs to happen earlier on so that they're not sort of bogged down in trying to prepare for IPO. They're actually already semi-aware of some of these things like codes of conduct and when they do list, they then understand, well, why do I have a securities trading policy?

Reece Walker:

Yeah, look, that's absolutely right, Ainslie. It's a very sort of significant event in the company's life, but you can't underestimate the significance of that for the individual employees and the mind shift that they need to make as well. So, in many ways, the IPO can be a fantastic experience for them. There's opportunities obviously to put in place remuneration strategies and equity incentives that help align the company and the employees and also with the shareholders which is important not to forget about having that alignment across the board. But things like a securities trading policy, typically when we do an IPO, we will get the senior people together in a room and actually talk them through that securities trading policy and run through a few examples. And people don't realise something like what we call barbecue talk, where someone might ask them how the company is going and an employee in a tech company might say, for example, "Oh, fantastic, we're just about to sign this contract with XYZ."

Reece Walker:

And it's a real mind shift because in start-up space, in tech land, it's all about self-promotion, promoting the company, all the great wins and jumping straight on social media, which is very different to an ASX continuous disclosure environment where, as you'd be aware, that the rule is as soon as you have material information, you must disclose that to the market first. So, that's a really big change in the way that people go about things. There is also, I think, a cultural shift. So in terms of start-up stage is all about minimising unnecessary costs and focusing that towards product and just trying to get people to understand that compliance and thinking about those sorts of issues is not an overhead it's actually integral to being ASX listed. It's integral to your reputation and ultimately it will cost you if you don't get it right.

Ainslie Cunningham:

Yeah. I think I'm changing mindsets for people in that space, Reece, is really difficult where even really well-established mature ASX listed companies see it as an unwanted, unnecessary expense as opposed to an investment and a value and a benefit especially when they're increasing changes to sort of embed more robust governance framework.

Reece Walker:

Look, that's right. And I think that's why it's important for anyone that's considering listing to get the right sort of advisors around them so both from accounting, legal and company secretarial and governance perspective. And have that discussion early on so that, that sort of change in thinking can be adopted early on in the piece so that when they are at the point of listing that everyone's aligned with how that's going to actually work. And we do see, in particular, I think you mentioned obviously, the technology type companies and start-up companies, obviously a lot of those founder-driven companies where there hasn't been a lot of external input before that sort of culture shock that what might be a private business now suddenly has public scrutiny and the sort of measures that you need to have in place to stand up to that public scrutiny because you are on show 24/7, 365 days of the year.

Reece Walker:

And you need to be ready to respond to things that might arise, but also need to be thinking ahead about the normal sort of periodic disclosures and annual reports and that sort of thing. And it's quite often a shock for these sorts of companies when they go to do their first annual report, exactly how much detail is in the annual report, because no one has actually sat down and talked to them, and that can be quite confronting as well.

Deb Anderson:

And the auditors can... There's lots of questions being fired at you for weeks and weeks on end, too. So, it is quite an onerous process to go through.

Reece Walker:

It is quite an onerous process, Deb.

Deb Anderson:

A necessary one.

Reece Walker:

A necessary and very important one, but if I can use say the classic example of, say, employee share plans, I think that's one of the most complex sort of areas. The intersection of taxation law, legal issues, ASX Listing Rules, Corporations Act reporting, there is no perfect solution. So, there's a trade-off along a lot of those different issues as to matching the outcome that you're looking for.

Reece Walker:

And I think I've lost count of the number of IPOs now where it sort of gets a bit hard at the end of the process so you end up sort of with an omnibus plan to maybe cover future eventualities. And then I think everyone has the best of intentions that at some stage that you'll get back on top of that, but it invariably ends up that you're in that first sort of AGM season, and there's quite often particular approvals that are involved with that.

Reece Walker:

So, the whole concept of a decision being made, but then you have to work back from that, and it might be three or four months because of the need to draft things, lodge with ASX, lodge with ASIC, then put that to shareholders, so there's a 28 day notice period. So that sort of forethought and being sort of counselled through that process by an experienced company secretary and an experience team can minimise some of those sort of friction points arising at a time also that you'll have employees looking to you to see that you have followed through on promises that have been made or expectations that have been set.

Ainslie Cunningham:

Yeah, absolutely. And a lot of those hinge on the financials being completed and all those sorts of stuff, so you're straight out of the frying pan and into the fire when it comes to that reporting season window, and you also find a lot of finance teams do overlook employee share plans in terms of valuation methodologies, and whether it's a Black–Scholes model or a Monte Carlo simulation or all of those sorts of things. And they also don't appreciate the amount of time it takes to actually get an independent outsourced valuation report completed. There's a limited sort of, I guess, service provider options out there for that and they all hammer them at the same time. So even that in itself is timeline compression. And then also every year that employee share plan or employee incentives as a whole is changing, one year it's a loan funded share plan, the next year it's an option plan, the next year it's a share plan-

Deb Anderson:

Performance rights.

Ainslie Cunningham:

... you might add a DRP or a dividend reinvestment plan to the mix.

Reece Walker:

Absolutely, there's so many changes in trends that if you've not even got the baseline right, being able to try and to keep up with those. And I think the other factor that we see really coming into play a lot now is the role of proxy advisors heading into AGM. So, there's an engagement piece there as well to understand what the proxy advisors are looking for. And they will have particular views on what is an appropriate style of plan. And then within the style of plan, what are the KPIs or the vesting criteria that they see currently the optimum ones that companies should be adopting. So, it can be quite an intensive piece of work that sometimes doesn't get factored into the mix.

Deb Anderson:

And occasionally the regulator has a say on it as well.

Reece Walker:

Absolutely. That can be the case. But I think too, coming back to the point about valuation as well, even just the surprise factor that quite often the valuation when it's done on one of those methodologies that you've spoken about can seem like quite a large figure, so it is quite confronting that that will be published. And in many cases because of the nature of those methodologies, it might seem that it's sort of a larger number than what in reality may actually be the case at the end of the day. But the fact that that's suddenly out there for people to read and also for the board, the executives and their colleagues to read as well can create some problems.

Reece Walker:

And I think most companies these days are fairly sophisticated when it comes to talking about the client experience or the CX. I think the next evolution is talking about the employee experience or the EX and that is sort of, sometimes, lost in the mix that what you're doing with listed companies, isn't just about compliance, it's also about the experience and how that's translating for your team as well. And your ability to obviously retain key people is really important. And particularly as you've gone into an IPO you're relying on having all of those people who're there driving the profitability for you.

Ainslie Cunningham:

And sometimes you think you've just struck the right balance between all stakeholders and then you're going to an AGM and you'll still potentially get a strike for your REM report.

Reece Walker:

Yeah. And look, that's right. And we have seen in my experience, some quite interesting, if not what I might respectfully say bizarre results with proxy advisors that you have one proxy house advise in favour of the REM report, but then you might have another proxy advisor who has a different set of criteria come to a different conclusion, so that really shows the importance of understanding the nuances between all of the different stakeholders. One of the things that we do see is unfortunately that the vote on the remuneration report has sort of become a bit of a default vote on how the company is going, so unfortunately sometimes it doesn't necessarily reflect the strength or otherwise of the remuneration practices. It's just saying that if the company's going well, that seems to get voted up and if it's not going so well there's a strike.

Reece Walker:

But I think that sort of scenario again, is where it's important to have experienced support and advice to know how to respond, particularly to that first strike, to make sure you don't end up in the scenario with a second strike and then having to manage the consequences beyond that. And a lot of the time it's just around the levels of engagement and communication with proxy advisors and key shareholders and across the board. And also, the easiness of reading in terms of things like the annual report, the announcements that you're making to market, the notice of meeting itself. So, I mean, if you want people to vote no to something, the sure way of doing that is making sure they can't understand it.

Ainslie Cunningham:

And also, not having those conversations early on enough as well, and potentially going into blackout periods where you can't have those conversations and so you've left the run too late.

Reece Walker:

Yeah, absolutely, and look, I think in fairness, the proxy advisors do publish their criteria and it's an onus for the company to set about understanding what they are and staying current with those as well.

Deb Anderson:

So, Reece talk us through the process of an IPO.

Reece Walker:

The process of an IPO-

Deb Anderson:

In less than two hours, the shortened version.

Ainslie Cunningham:

The accelerated three-month version.

Reece Walker:

Look there are lots of materials available, Deb, in terms of the ASX and firms such as ourselves that are published guides in a bit more detail. But I think it's true to say that not every single IPO is done in the same way. It's as many and varied as the types of company that you come across and the individual circumstances. So sometimes, you'll see companies that have had already a strong involvement with one of the broking houses. They may have some of the financials sort of up to date and they're relatively ready to go. But quite often, the first discussion that we might be having is someone that's read about doing an IPO or they know another company that's done it in their sector and so they want to come and have a chat about the way that they should do it.

Reece Walker:

So, one of the things that we do suggest is that very early on in the piece that they make sure they've got the right infrastructure actually, to even begin to engage with those other advisors. So, sometimes that's through a company secretarial function or just someone who has some experience in the IPO process just to come in and sort of marshall of those different moving parts, so engaging with accountants, stockbrokers, the legal team, share registries and that sort of thing. So, what sort of requests or proposals you're going to request from those different teams, how are you actually going to choose your advisors. So, there's a whole array of advisors that need to be a part of that IPO process.

Reece Walker:

Once that team's sort of been selected, there's various degrees of engagement. My personal preference is to engage with the ASX very early and actually go and meet with them, talk through the proposal and identify any particular issues that might relate to that company or that sector at that time. And quite often, there'll be a few little quirks, particularly if a company has done a lot of acquisitions, how is that going to be presented in terms of the information that needs to go forward to the regulators. So, a bit of early engagement there to make sure you've got the runway right, mapping out the timetable, mapping out the step plans and those sorts of things.

Reece Walker:

And then what we think works really well is to sort of divide and conquer a bit because you've got different work streams. So, you do have a prospectus work stream. There'll be other aspects, as you mentioned before, Deb, about getting the right sort of policies in place. There may actually be a need to go and appoint additional directors, particularly non-executive directors. So, there's a bit of a process. So, some of those bits of work are sequential, but other bits are sort of happening concurrently. So, you need a team that's sort of been experienced and can guide you through all of those things. Once you are moving through that, you'll also have an opportunity as the company's refining its prospectus, it will also be refining its pitch documents. So typically a PowerPoint slide that tells a story and there'll be opportunities to refine that, talking internally to the due diligence committee, then talking to the broker internally before that sort of goes to a broader audience in terms of sophisticated investors and doing road shows and that sort of thing.

Reece Walker:

So, it's really important for the companies to kind of build-up that experience as they go through and really refine things so that ultimately when the prospectus and the market presentations are going on it's as polished as it can be. And the sort of questions that come up through that process have hopefully already been asked and already been thought about. And then obviously, there's a lodgement of the prospectus with ASX and ASIC, some regulatory things that happen which are amusing to us lawyers but may not be as amusing to your listeners. So the company during that time be finalising with the broker raising the money that they need and that offer is usually open for a few weeks, and then, again, there's a few processes at the tail end of that before their company becomes listed.

Reece Walker:

And then you need to be ready from that day one of listing that it's a new world. So, as I mentioned before, it can be a process. It can be as short as around three months, but because of those sorts of things that do tend to come up in terms of appointing other non-executive directors, or if you're trying to manage an acquisition, or you might have a particular technology or something that you're waiting to get to a particular milestone point, it can be as long as a year as well.

Ainslie Cunningham:

I'm just sort of thinking as you're talking Reece some of the unforeseen challenges that come up before organisations might be things like not engaging maybe a share registry early enough, and not thinking about their existing shareholder base and issued capital and potentially having to look at escrow agreements and things like that to meet ASX Listing Rule requirements. Some of the other things might be like not allowing enough fuel in the tank to actually go through the whole process and potentially not having the funds in place to, I guess, pay for all these different advisors. And the other thing might be potentially not looking at an IPO straight away. Maybe they need to go down the path of a debt model or a private equity model first before they look at a public equity model. Just, yeah.

Reece Walker:

Yeah, there's some really good thoughts in there, Ainslie. Probably if I can tackle sort of that latter aspect first. The concept of doing a pre-IPO capital raise, I think is really important. So if you can get some cornerstone investors both to contribute some capital in terms of covering the costs of all those things you need to do, but also getting that engagement so that you know you are well supported going into the IPO and the market can actually sometimes see that you've attracted that cornerstone investor or investors already. That's a really positive sign that the market will quite often look to see that you've done that. The other thing that is an important feature of IPOs at the moment is this concept of doing a suitability application. So historically, it was reasonably common just to have a bit of a light touch sort of engagement with ASX in particular and then lodge the prospectus and go forward towards listing.

Reece Walker:

There'd been some concerns, I think particularly in the early stage companies typically around the technology space, just understanding the quality of the key contracts that they may have. So, were they long term contracts? so are they're easily capable of being terminated? Where they were genuine third parties or related parties and ASX have responded to that by looking to receive a suitability application during the listing process. And I think from the engagement that we've had with ASX in recent times, having a pre-IPO raise is actually one of the factors that may be in certain circumstances considered a positive, because it has shown that ability to fund the company. You're not going to fall off a cliff day one after the listing, and you've attracted some of the smart money that might understand that space.

Reece Walker:

So, you know whether that's technology companies, biotechnology companies, early stage mining companies. I think just thinking about how you go about illustrating the quality of the proposition, and that might be the strength of the board, having people involved that have done it before, so to speak, having that well-funded sort of proposition that you're taking as well as the quality of the advisors. So look, there's probably some different thoughts about what level of audit or accounting support might be appropriate to certain sizes of the companies, But I think increasingly you need to be looking at having a team that's definitely got experience and specifically experience in the IPO space, so that you've got that credibility both with the regulators and with the market as well.

Ainslie Cunningham:

I think even... I'm just coming up with so many thoughts as you're talking, but like even changing entity type and thinking about those structures and whether or not they implement a new vehicle, a new co-structure or whether they do a conversion from a Pty to a public, all these things so they could just go, "Oh yeah, you got to do this, you got to do this, you got to do that."

Reece Walker:

Yeah, look, absolutely. And I mean, that's sometimes a consideration in terms of that conversion, because there is a time period involved with that sort of the one month notice, but there's also publication period. And depending on how big your shareholder base is in terms of existing shareholders, the complexity of potentially pulling together a meeting to get that approved. So again, that's something that in theory should just be essentially a form, but actually may be a six, eight week sort of exercise, if not longer, sometimes depending on how many signatures you need to chase down to make it happen. So, there's absolutely some complexities around probably the accounting and tax advice that you need. If you're going to have a top co-structure, so implement a new holding vehicle. There's some liability issues associated with IPOs that people need to understand as well and understand with particular structures, how is that going to look potentially different for them.

Reece Walker:

And I think the sort of other major sort of aspect is whether the IPO is also going to include a vendor or sell down as well. So that is absolutely fine and doable, but it raises a number of considerations, certainly from a market perspective. You need to be working closely with the broker to understand the messaging. So it's not just sort of someone cashing out, if it's more the case that it's to free up a little bit of capital and to enable some fair reward for people that have worked hard over many years, and that's a sensible juncture to do it in terms of unlocking a bit of value for them. I think the market can understand that, but there's a balance to all of those things. But there's certainly some legal accounting and tax issues that fit with it.

Reece Walker:

And again, they're not the sort of things that you want to try and resolve on the eve of an IPO. And I think you mentioned before as well, Ainslie, about the importance of just some of those basics as well. So even before you get to the more complicated aspects, quite often we do find where companies haven't worked with a qualified company secretary, they might have been sort of maintaining their own sort of share register. And I think invariably, where it's been a private company structure and there hasn't been that focus having someone with the qualifications and experience to actually manage that. Sometimes it can actually be very difficult to reconcile what the register actually looks like. And that can be magnified when you go to IPO because quite often you're doing share splits and that sort of thing as well.

Reece Walker:

And actually particularly in some of the start-up space, a lot of those small tech companies, there might be an electronic record that someone's kind of maintained, but what sort of documents have they signed up in the meantime in terms of convertible note agreements, and are there overlapping provisions and how does that all calculate out? That can actually be quite a difficult exercise and then you obviously need that packaged up quite nicely so that when it goes to the share registry, they're getting the proper data to start with because they're then adding on top of that with the newly issued shares and potentially other things that might be happening around the IPO as well, whether that's a sell down or maybe an acquisition, there might be some consideration shares going out as well.

So, there's a whole raft of things there. And I think probably we'd say there's also needs to be a bit of a focus on the registry that you're choosing to provide those services post-IPO. The cheapest option may not always be the most effective option depending on what sort of company you are and what you're looking to do going forward.

Ainslie Cunningham:

Yeah and sometimes there's also a misconceived perception that the larger share registries are actually going to be more expensive, but in some instances, they can actually come in at a more competitive price point because they've got large resources, large scale, etc, so they can actually deliver it potentially at a lower price point. But I think some companies just choose not to even obtain quotes from some of those service providers and same goes with legal services and things like that as well just that misconception that they might not necessarily be cost competitive.

Reece Walker:

Yeah. Look, I mean, I have, actually had it put to me a couple of times about whether you need a share registry, which I think anyone who's been involved with listed companies will appreciate what it is that share registries do day-to-day. So, there's obviously all of the share transactions, but then assistance with things like notices of meeting, dividend payments and that sort of thing. And particularly where it comes to things like paying dividend cheques overseas or in multiple currencies or managing a dividend reinvestment plan, or even some times the employee share plan itself will be outsourced to the registry, and having that sort of seamless service is invaluable. So, you need that right level of capacity. And I think most of the registries are happy to provide a quote, but most importantly, I think to meet and sit down and understand culturally, again, are they the right fit for what your organisation needs at this point in time?

Ainslie Cunningham:

So, I've noticed a few articles recently about the local exchanges instead as an alternative for some industries instead of ASX listing, are you seeing a shift in that space?

Reece Walker:

Look, I think there's definitely been some commentary around that space, Ainslie, and I think there's obviously been a bit of a resurgence with some of those alternatives. I think if you go back a little while, a lot of the companies that were choosing the list on say the NSX were former cooperatives, so they were wanting the benefits of a liquid market and being able to trade in a regulated market that was compliant. I think the proposition is these days that there might be a willingness to look at that for all sorts of companies and potentially some of those high growth or smaller companies that might look to emerge. I think it's really a question of weighing up the costs and benefits for the particular company. So, there may be some cost savings, but equally does it provide the liquidity that you would need? And I think similarly there's arguments about overseas listings as well, so quite often there's different trends that you would see as well.

Ainslie Cunningham:

Do you find that there's many overseas listings presently?

Reece Walker:

Look actually for the last few years, a lot of what we've seen is actually companies looking to list in Australia because of the perceptions around the quality of the market. And they'd been probably some of the companies that would previously have looked at an AIM listing or a TSX listing that have actually stayed with the Australian market. I think also for a while there were thoughts around things like the Hong Kong market, but it's obviously there was some cost issues there that I think people identified fairly early on, but also now with the environment up there a lot of companies would shy away from that as well. So actually, we've seen very much companies that we're talking to if they're looking at listing, they're looking at listing in Australia first and foremost.

Deb Anderson:

So, tell us a little bit more about McCullough Robertson. You're obviously an award-winning law firm and very well respected.

Reece Walker:

Thanks, Deb. Appreciate the opportunity to talk about that and how we've, I guess, evolved being a firm that was established in 1926. So, we're the largest law firm in Queensland and we've got a presence up and down the Eastern Seaboard. So one of the sayings that we have is old ways won't open new doors. So, we've been looking in recent years at how we shape our firm. So, we're a full-service firm and operate across a range of different areas. But if I come back to the comment I made before about what's happening in the ASX listed space influencing a lot of organisations, I think that's definitely true of our organisation as well. So, things like looking at leadership, having the growth mindset and that sort of thing being really important to us in creating a depth and breadth of a leader.

Reece Walker:

And I think talking about leadership and maybe that sort of cross back to the ASX listed space we didn't get a chance specifically before to talk about things like diversity policies. And I think it's important for ASX listed companies to realise that's just not a tick-the-box exercise, it's culturally what do you mean by diversity? And is it gender, race, age, that sort of thing. And I think for us, that's been the same journey that we've been on to make sure that we do have programs in place. But not just in terms of numbers, but actually how we broaden our thinking process. So particularly around that unconscious bias space. And I think for me as a leader, that's been a fantastic journey to try and broaden my thinking. And I think one of the interesting things we've seen from a leadership perspective in the last couple of days was the comments by Ita Buttrose about the millennials all needing a hug and not working hard enough now.

Reece Walker:

That's probably a great example of a bias and it's probably particularly disappointing for her employees at the ABC, which you would think is meant to be a diverse organisation across all of those different spectrums of diversity. And then you've got the chair basically bagging part of the workforce. And I should say that it doesn't play well from an employee experience perspective and my experience, that's probably an unfounded comment. Certainly, the millennials in our organisation are very engaged, they're innovative, they're passionate about a lot of issues that are going on around the world and that energy can be certainly harnessed to deliver some fantastic results. And I think also from a organisational perspective, you have to realise who your clients are and that you are going to be engaging with a diverse range of clients. So, they're going to want to see a diverse range of providers within the organisation. So yeah that one just slipped out at me as probably a pretty good example of an unconscious bias potentially.

Ainslie Cunningham:

Yeah. And I think as well from an organisational perspective, the pendulum may be swinging too far one way, as well in terms of, you see a lot of things around trying to promote women, disability, indigenous communities, etc, but then sometimes it's inadvertently leaving out men now as well. So, it's almost like it's... Instead of just being equality as a whole, it is sort of having now a little bit of bias towards some other elements there.

Reece Walker:

Yeah. look, I think that's a really interesting sort of aspect to, I think, all organisations have to take onboard that sort of feedback if people feel that the pendulum has swung too far towards certain priorities at the expense of others, but I don't think it needs to be in an either/or sort of debate. And that's where the debate sort of sometimes goes astray. And I think certainly within our organisation we've been very cognisant about things like men's health initiatives and things like Movember and supporting other things particularly mental health issues that might be particular to men who maybe juggling a number of responsibilities. That's not to say that that's at anyone else's expense.

Reece Walker:

And I think as I say, sometimes that debate gets lost in the either/or that you need to be making a choice. So, I think it's about a balance between all of those issues. One of the other things is that I think you can take the learnings from particular spaces and particularly around flexible work that one of the things that we've seen and I think the WGEA Report from last year actually emphasised the importance of having examples of flexible work in the workplace where males are actually looking at flexible work choices as well. So, they've been significant advances in recent years around flexible work in other pockets, but actually there hadn't been a lot of examples of male leaders actually taking up that opportunity. We've been fortunate in our organisation to have a couple of male partners who have for quite some time had flexible work arrangements and they're quite happy to champion that and actually say how it's worked for them and the issues that they've faced.

Reece Walker:

And I think the other issue that we're seeing, Ainslie, is out of the COVID response. So we're actually surveying our staff at the moment. And I think what COVID has done is actually accelerated a lot of issues for the workforce in terms of flexible work. We've actually in recent times communicated quite broadly to our staff that we're happy to engage on a discussion around flexible work. And I think it's been a real eye-opener, so that previously people who may have had potentially a bit of a negative attitude towards flexible work, are actually now converts because they've seen where there's a trust in the employees that everyone's going to do the right thing.

Reece Walker:

And the productivity sort of argument that used to historically be raised has been nullified. So, I think, again, that's just a discussion sort of for each individual employee and their particular working environment and their particular company. But I think it has demonstrated that it can work. There are some things that you need to be sort of aware of as an organisation in terms of that impact in terms of, say for example, training of more junior staff, they're not... If everyone's on flexible work, they're not getting that learning by osmosis that they might otherwise have the benefit of. And at the end of the day, you also can't lose sight of the client perspective. So there needs to be a threshold in terms of, are you sustaining what you need to do for client needs. But our experience to date is that with all of the requests that have been made, there's been an opportunity to come to a suitable agreement and we're definitely seeing a significant upswing in terms of flexible work arrangements as well.

Ainslie Cunningham:

There's still that human interaction sort of body language element that you can't get from flexible working, isn't there?

Reece Walker:

There is, there is. And look, there's certainly a preference that, some meetings are face-to-face. Again, it's an individual employee and team-by-team discussion so we have one of our teams that does actually a daily sort of stand-up meeting for 15 minutes and make sure that everyone's got their sort of tasks ahead of them for the day and there is that high degree of communication, and that means that people that are on flexible work arrangements can dial into that. But there is still the opportunity on a daily basis for everyone to see each other and the majority of the time they are seeing each other face-to-face. So, there is a balance and things like social activities and that sort of thing as well, where there's a little bit of bonding, there's no substitute for that.

Reece Walker:

I think we've all found the virtual drinks that everyone's been doing for the last few months at some point sort of wears a bit thin and I think everyone was enthusiastic for the first few weeks or months and it was all sorts of different things going on or themes for those, but yeah, there is no substitute for human interaction at the end of the day. So what you need to be doing is being mindful of making sure that when those things are set, that they're at a time that conveniently people can try and participate in, that you're not inadvertently excluding someone by scheduling, say, the same lunch event every Wednesday or if a particular person has Wednesdays as their flexible work from home day.

Ainslie Cunningham:

Yeah, I don't think you can really run a virtual high ropes course off the monkey bars off Zoom in the backyard. Can you really?

Reece Walker:

I'm not sure about that one.

Deb Anderson:

Liability issues.

Reece Walker:

Plenty of other creative things that are going on during that whole process.

Ainslie Cunningham:

So, I actually read an article pre-COVID that was around changing mindsets in organisations. I think it might've even been like a Harvard Business Review around instead of being work from home policies, it was actually they'd coined the acronym WFA, which was Work from Anywhere and around retention of talent. And when some key players actually want to have a sabbatical or something like that, and they want to travel the world for a year and obviously not at present, but allowing them to still retain some clients and maybe work part-time to help fund their travels.

Ainslie Cunningham:

And the other thing was around generational shift as well. And the younger... It might be technology and like you say, it's dependent on the individual. And I think it's also dependent on the job function and potentially organisations were seeing broadening the productivity because they were able to run almost 24 hours a day because they had certain pockets of teams that would work late in the evening. There's certain individuals that might be happy to sit there and respond to emails on their phone while they're watching TV or certain individuals that might be happy to jump on and do some coding or tech-type work late at night and things like that.

Reece Walker:

Yeah, absolutely. I think it is, again, part of that individual conversation and understanding what people's preferences are for some people that would be quite a stressful prospect. Other people don't mind multitasking and see that actually is not a bad use of their day if they can be doing something at that time of night, but it's enabled them to, say, go to a kid's sporting event or school event of some sort. So I think that flexibility and just common sense and communication definitely wins out. The flip side though, I think as a leader is leading by example and being mindful too, that when you send an email, if it is after hours or on a weekend, actually, how you flag that you're not expecting an immediate response. So, just being mindful to put in the subject heading, "not for immediate action" or something like that because otherwise, sometimes there can be a bit of pressure on staff, if you haven't communicated, is it implied that you're expecting a response immediately and that sort of thing.

Reece Walker:

So, the way in which we communicate still catching up a little bit but the technology piece is really important. And I think, we've been lucky as an organisation that we were able to move pretty seamlessly to the fully virtual environment. And if I actually look back on why that is, in as much as we'd all like to take credit for good planning as an organisation, and we do have a fantastic chief operating officer and head of IT that have been instrumental in that, part of it was actually the learnings that we'd had out of the Queensland floods. So that disaster where not only did you have limitations on physically accessing the building, but then you also had problems with electrical power supply to the CBD so a lot of the information servers were-

Deb Anderson:

Down.

Reece Walker:

... down so I think a lot of people seriously upgraded their disaster recovery planning after that. Now, what we've been through is sort of a multifaceted event. And it sort of moved beyond, just to a pure DRP sort of situation obviously. But I think to have had that, and I've actually seen that across the board sort of talking to clients and organisations that, that seem to be sort of a pivotal point for them a few years ago to actually get serious about it, whereas previously, I think a lot of people sort of put the having a disaster recovery plan sort of somewhere in ..

Deb Anderson:

The bottom drawer.

Reece Walker:

... the bottom drawer. And you anecdotally hear stories of organisations having to run out and buy a whole heap of laptops at the start of this, or people literally unbolting towers and taking them home and putting them in their home office.

Deb Anderson:

Kitchen table.

Reece Walker:

kitchen table. And look. That's one of the things that we need to be really mindful of in terms of an organisation that everyone's going to have, particular backgrounds and what might work for some of us in terms of flexibility, other people might be living in a different accommodation situation. They might be living in a share house or something like that. So, their bedroom is their office is everything, and that's a particularly stressful thing. So, we're really mindful that it would have been a lot of stressors on people during that time. There's a lot of stress around people as they're trying to work out the return to the office. And I think we've been particularly lucky up here in Queensland, but certainly I'm aware obviously in Sydney, public transport situation is still prohibitive and obviously there's a lot of issues in Melbourne at the moment.

Reece Walker:

So being mindful of those things and what support you provide to your staff, it's not just saying that you got through COVID because you managed to get through some of the work, it's actually well, have you looked after people? Do they feel like they've been looked after and I think you'll see that manifest itself once the economy picks up. So has this been an opportunity to build loyalty with staff or are they otherwise looking to... they might look at other opportunities if they feel that they haven't been looked after?

Ainslie Cunningham:

Yeah, I was having visuals there of people rowing their boat with their tower under their arm getting in there to get out. And even there was a Telstra ad on TV at the moment where they're offering, I think it was the NBN or something like that for students and challenges with working from home. And I think the mum goes... she's got a laptop and she's trying to get on a Zoom meeting, she goes into the bedroom and the husband's in there on his computer and she goes into the kitchen and the son's in there on his computer, so she ends up in the daughter's bedroom and there's pink fairy lights in the back. I can see all that at play now.

Before we wrap up today Reece, have you got sort of McCullough Robertson, Employer of Choice multiple times, Women's Employer of Choice multiple times, what top three tips do you have for listeners to I guess, reach that type of level to be an Employer of Choice? You've covered quite a few of them: diversity, communication, flexible work arrangements, but just as a high level, have you got top three tips in that space and-

Deb Anderson:

Culture. We didn't touch on culture.

Reece Walker:

Culture. Yeah, look, absolutely. And I think that's the key thing is, culture. It's what you value. So, we are big believers I guess just in generally the concept of fairness. So, if you start with that as a starting point and you look at what you've got across your organisation and what historically might've happened, and you just need to look at those things afresh? And as I mentioned, we do place significant value on that. So, our top HR person is actually our chief people officer. And that was a conscious choice that we made looking at some of the information, particularly coming out of the US about organisations that do have a chief people officer. So instead of HR being an administrative function, it's actually a strategic and cultural function so you can actually embed all of that across the workforce and look at strategically how you're going to respond to those challenges and have sort of that growth mindset in terms of being open to changing things.

Reece Walker:

I think firstly, you're valuing and seeing the importance of having a diverse workforce is number one. And there's plenty of data and plenty of information around that. There's actually a fantastic Harvard article. And I think that's one of the things for listeners, is there's a lot of free resources out there that you can just quickly read and challenge some of the thinking and they do in that particular article that I'm thinking of, talk about all facets of diversity across gender, age, religion, all different facets, and it really comes back to that sort of making sure you've got diversity of thought within the organisation at all levels and how you're providing a conduit for that. So first and foremost value, secondly is with those strategies, looking at things with a bit of an innovative focus.

Reece Walker:

So, we were one of the first firms, for example, to have a policy around gender neutral pay. So, doing what we call a Black Box System. So, when people are coming in, we're looking at benchmarking salary, so not actually putting pressure on people to negotiate a salary coming in. And also, actually, obviously looking at when we're doing annual reviews to make sure that there's no inherent bias built into our remuneration systems. And again, there's probably some assumptions that it is fair, but unless you're actually doing that exercise and then responding to it over a period of time, you wouldn't actually really know. So, I think actually being innovative and having the systems around it is really important. And then I think thirdly is just that continuing to learn. So, all of these trends that we see, and we hear about continue having discussions exactly like this one and understand what might be behind it and ask. And there's usually a lot of people around that are willing to have a discussion so being open-minded about it, I think.

Ainslie Cunningham:

And top three tips for organisations potentially looking at IPO?

Reece Walker:

Top three tips. Get the right advisors. Probably tip two would be, listen to the advisers. And three is give enough time to listen to the advisors. So, I think if you've got the right people, you're listening and you allow enough time, it's going to maximise the benefit of the IPO, maximise the value to you. So, it's a genuine a benefit that comes from doing it. So, it shouldn't just be, what's the minimum, it's actually, if you do it right take the right advice, it will add value to you in the longer term.

Deb Anderson:

Great advice.

Ainslie Cunningham:

Yes. Thank you so much. Reece, your wonderful insights and your top tips and everything. It's been a really thrilling discussion today.

Reece Walker

My pleasure Thank you.

Ainslie Cunningham:

So that's about all we have time for today for our listeners. So, thank you very much Reece again for joining us and yes stay tuned for another episode of YS Up.

Outro:

That's all for today. Until next time, happy podcasting. And remember if you're enjoying the show, check out our other episodes and all things governance at www.3ysowls.com.au.