

POWER TO THE PEOPLE

Ibi Eso explains why the new corporate governance code is remarkable for its unprecedented focus on the workforce

The new corporate governance code, published earlier this year, is remarkable for the emphasis it places on people issues such as stakeholder engagement, succession planning and improving company culture, diversity and pay policies.

This is a real about-turn. Astonishingly, in the previous version of the code published in 2016, the word 'stakeholder' appeared only once and then only in the introduction rather than forming any part of the principles.

The word 'staff' only appears in the context of needing to put a whistleblowing procedure in place. And there is no mention of 'the workforce' or 'employee', apart from the need to ensure the independence of directors.

So what does this mean for training and development professionals? To answer this question, let's look at the changes to the code most likely to affect people practices.

Collaboration

This is where the biggest shift has occurred. The new code states that directors should "build and maintain successful relationships with a wide range of stakeholders". While the importance of engaging effectively with shareholders has been a key element of the code for many years, this has now been extended to include wider stakeholders – notably the workforce. And, what's more, it is backed up by the need to not only involve these groups but actively encourage them to participate.

This means HR professionals need to think creatively about how to engage with employees effectively. HR teams may be asked to suggest ways to build a sense of ownership and encourage individuals' personal growth. Ideas could include:¹

- ▶ Involving employees in developing company strategy.
- ▶ Helping teams network with other parts of the business.



- ▶ Investing in training.
- ▶ Planning for a fluid workforce: one that includes a mix of full-time, part-time, contract and flexible working positions.
- ▶ Supporting mobile working: work is no longer somewhere we go but something we do, so workplaces need to adapt accordingly.
- ▶ Encouraging a sense of accountability: employees should ask themselves, “Did I do my best to...?” (build a good relationship with my boss/get along with my colleagues/earn my pay and so on) whenever they have a grievance.

Of course, not all the ideas suggested will work for all sizes or types of organisation, but companies need to take a fresh approach to employee engagement because times have changed. The millennial generation not only works differently but also has very different expectations.

Employee voice

To satisfy the requirement to engage with the workforce, the code actually stipulates the methods that should be used. These include appointing a director from the workforce itself, setting up a formal workforce advisory



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panel and/or ensuring there is a designated non-executive director responsible for employee engagement.

In my experience, employee directors aren't necessarily equipped to operate at board level, and employee councils have previously proved problematic. Businesses can opt for other methods, but will need to justify their decision.

This stipulation requires some serious consideration by companies. A box-ticking exercise won't stand up to scrutiny. Collectively, the workforce has a strong voice and it will inevitably be heard if employees don't think the company is adequately representing their views or considering their interests.

Workplace culture

The new code significantly raises the status of this important board responsibility. It expressly states that one of the board's main roles is “establishing the culture, values and ethics of the company. It is important that the board sets the correct tone from the top. The directors should lead by example and ensure that good standards of behaviour permeate throughout all levels of the organisation.”

Not only must the board set the culture and ensure alignment with company values, but the code now states the board must assess and monitor the culture and ensure

company management acts where it is not satisfied that practices or behaviour are aligned to the vision and values.

This is a step-change. The thinking is this will help prevent misconduct, unethical practices and contribute to long-term business success.

The provisions also require the annual report to contain an explanation about the company's approach to investing in and rewarding its workforce, recognising that training, benefits and remuneration all play a major role in creating a positive workplace culture.

There are no quick fixes but steps such as tailoring communication styles to suit the individual, measuring output rather than input and ‘leave your ego at the door’ team feedback sessions can prove surprisingly effective.

Some HR experts advocate building a ‘courageous culture’ to break down barriers (real or perceived) and encourage open, timely and transparent dialogue. This starts with creating a token of empowerment to help initiate tricky conversations.

Succession planning

Succession planning has also taken on new importance with the code emphasising the need to refresh boards and undertake succession planning with a view to promoting diversity in all its forms. This means not only a balanced mix of genders and races but also differing viewpoints to avoid the dangers of groupthink.

Companies must ensure succession plans for the board and senior management roles are clear, effective and promote diversity, while ensuring all appointments are objective and based on merit.

Conclusion

It would be naive to expect such seismic changes to occur overnight but, as one of the largest groups of stakeholders, employees should benefit from the change of focus demanded by the new code.

Boards should now be considering how to meet requirements and address the training gap – whether that's ensuring employee directors have the necessary skills, educating recruiters on diversity or supporting managers to brush up their communications skills.

Although the code is only compulsory for companies with a premium listing, its provisions form a good governance benchmark that all companies wanting to optimise profits, success and ensure a happy and engaged workforce should aspire to.

Indeed, some of Britain's best-known names advocate putting employees at the heart of the business. Entrepreneur Richard Branson argues, “Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients.” **TJ**

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Reference

- 1 <https://bit.ly/2K4ZKMY>