

HMRoundTable

**Employee Engagement in the
Boardroom – its evolving nature and
critical factors for future success**



Hedley May recently hosted a Round Table event on Employee Engagement in the Boardroom. The discussion was led by Irene Dorner, Chair of the Remuneration Committee and Employee Champion on the Board of Rolls Royce, and Harry Holt, Rolls Royce Group Human Resources Director (HRD) who were joined by a group of Designated Non-Executive Directors (NEDs) and Human Resources Directors of FTSE listed businesses.

Whilst changes in the Corporate Governance Code have required companies to have a mechanism in place for workforce engagement, the increasing recognition of the importance of the employees as a stakeholder group further reinforced by the pandemic has accentuated the critical role of employee engagement at Board level.

Over the last couple of years companies have been learning how to do this most effectively. Below is a summary of the key themes discussed.

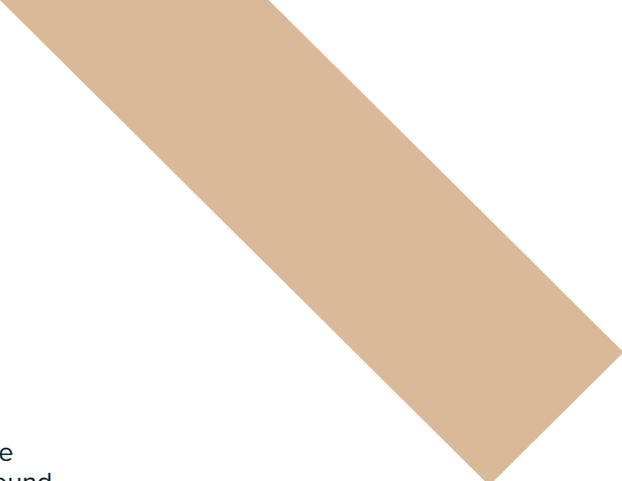
Overall it has been an experience more positive than expected

- ◆ Workforce engagement for Boards started as a regulatory requirement but it has been a positive experience and brought more learnings and benefits than expected.
- ◆ Overall, whilst a variety of approaches and forums have been utilised (see next section), the general consensus was that it is working. The only caveat is that international forums have tended to be less effective. This is largely because this is a UK initiative that does not always translate into other cultures, and sometimes crosses over with other countries' employee legal requirements.
- ◆ It has reinforced the importance of employee engagement and high quality people leadership.
- ◆ It has elevated the visibility of people issues at the Board and driven wider Board engagement with employees.

Creating the framework for success

- ◆ All parties agreed that, in addition to adopting one of the three recommended approaches (Designated Non-Executive Director; Director appointed from the workforce; Formal workforce advisory panel), the employee engagement initiative could benefit from some additional infrastructure. For example, attendees mentioned:
 - Online panels / forums / chat rooms
 - Town hall meetings
 - Employee AGM
 - Employee engagement surveys
 - Separate employee groups for specific topics within the business
 - Employee representative groups for minorities
 - Stakeholder engagement section for internal newsletters
 - Sessions to informally meet the Board – e.g. 'breakfast speed-dating'

- ◆ The Designated NED, the HRD and/or the Company Secretary need to agree upon their respective roles to ensure they are complementary rather than infringing on each other's remit.
- ◆ It is critical that the whole Board is engaged in the topic, not just the designated NED.
- ◆ There needs to be high levels of trust between the Board, management, and employees. The Board needs to make sure this is not perceived as a way for the NEDs to police the executives. Equally, if management is to be present at one of these meetings, they need to be conscious of it not becoming too formal and to ensure there is space for honest opinions to be voiced.
- ◆ It is crucial to ensure employees understand the distinctions between the role of the Designated NED and the role of management. The Designated NED is neither there to be lobbied nor to step in where employees perceive management to be failing. One way of achieving this is to explore themes rather than specifics and to link these to the issues that the Board is focused upon or, as a result of the session, needs to focus upon.
- ◆ Stakeholder engagement must be kept strategic. Defining who the stakeholders are, the desired outcomes and avoiding the trap of focusing on activities rather than outcomes are key to success.
- ◆ It should focus on the priorities of the business (strategy, performance, culture) and on moving that agenda forward.



Joining up the Board and Employees

- ◆ The Board's employee engagement initiative has helped dispel some of the mysteries around the Board, its composition and what they are thinking about.
- ◆ It elevates the visibility of people issues to the Board and sheds light on the pulse of the business. In turn, the employees are able to see that the Board are taking their issues seriously.
- ◆ It helps reinforce other initiatives around people/engagement, helping the management on wider cultural journeys. Specifically, this has been used by Boards as a channel to address particular issues in the zeitgeist; D&I and sustainability were in particular mentioned.

Wider stakeholder engagement – Regulators, Investors and Unions

- ◆ It has proved a useful tool for discussions with the **Regulator**, as when they ask about culture, the Board now has more evidence to support its claims.
- ◆ It can be additive when pitching to Investors who are increasingly interested in engagement and culture and how it resonates with employees. Being able to inform **Investors** how employees have been responding to new remuneration proposals has also proven helpful when negotiating new policies.
- ◆ Rules of engagement with the **Unions** is also critical, and it is important to ensure that it dovetails with the Union's territory.

The Executive view

- ◆ Some executives were initially quite wary and, in some cases even quite defensive of this agenda.
- ◆ However, as mentioned above, when the demarcation between Board and management has been agreed upfront, Executives have become comfortable.
- ◆ Indeed, some Executives have fed back that the Board's employee engagement initiatives are energising, providing them with a raw form of data about difficult issues.
- ◆ This instead allows for better leaders – it stops leadership from being in denial and getting swept up in the myths of the organisation's culture or the high-level numbers. It instead forces them to engage in the reality of what colleagues on the ground are feeling.

What next?

- ◆ A key message is that the Employee Engagement journey is firmly underway but that the destination is not yet clear.
- ◆ In its original form, employee engagement has a shelf life. Boards must be cognisant of re-engaging people and avoiding cynicism to creep in. Rotating the Designated NED and the people you are engaging with can be a way to keep the energy up and the conversation fresh and pertinent. Equally, getting the balance right is important. Too much rotation may hinder building the right level of trust.
- ◆ But, what are Boards aiming for? How does this governance requirement deliver sustained value, as opposed to becoming a tick-box exercise? How do we revitalise and improve the current model? This is something Hedley May will be exploring with Designated NEDs and HRDs over the coming months.





Leadership Inspired

We seek out world-class executives who create lasting change and leaders who will make a world of difference. Deep market knowledge, bespoke processes and innovative thinking enable us to find extraordinary leaders across the globe. And, in our commitment to achieve greater diversity, equity and inclusion, it has never been more essential for us to challenge ourselves and our clients.

For 20 years, the Board & CEO practice team has worked alongside many of the leading listed and private Boards globally, with a strong and trusted reputation for providing independent and forward thinking advice. We are one of the most experienced teams in the market having placed over 120+ Board Directors and 80+ FTSE 350 Board Directors. We think creatively and laterally and believe in diversity in its broadest sense. In the past 24 months, 78% of our FTSE 100 Board appointments were diverse.



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Sandrine joined Hedley May to co-create a Board & CEO practice with expertise and creativity at its heart. With over 20 years of experience as an international search consultant, Sandrine focuses on Chairs, Committee Chairs and Executive Director appointments. She has extensive experience of advising on Board succession and performance, with some of the world's largest global organizations.

Sandrine has built long-lasting relationships with Boards based on objective advice and trust. She brings a clear focus on identifying those talented individuals who have the experience and cultural fit to perform exceptionally today but who also have the values and skillset to lead the purpose-led businesses that will be the leaders of tomorrow

She has been an early promoter of diversity on Boards and was an active member of the Davies Review, Hampton-Alexander Review and Parker Review task forces.



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Giles joined Hedley May to co-create a Board & CEO practice that is different; built on the foundations of deep global expertise, creativity and trusted advice. He partners with clients, building long term relationships, and is recognized for his expertise in respect of Chair and Board, CEO, CFO and Executive Director appointments.

Giles brings a deep understanding of the complexities and nuances required to deliver top level search; an unwavering client focus, managing sensitive relationships and a laser like attention to the importance of cultural fit – all attributes that make up the DNA of Hedley May's brand of executive search.

With over 20 years of international search experience, Giles acts as a senior advisor and counsel to Chairs, CEOs and HR Directors. His focus tends towards succession, major organizational change and transformation, growth agendas, IPOs and restructuring. Giles is a trusted partner to clients, working in both the UK and Asia, supporting strategic thinking on global search needs and talent management.



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Karen joined Hedley May in 2017 to build a market-leading and future-focused HR practice operating across Europe, the US and Asia. Her mission was clear: to find transformative HR leaders with exceptional skill sets who could outperform the economy of today and meet the demands of tomorrow. And this is exactly what she's achieved in the years since.

Karen is widely recognised for her unmatched experience of identifying outstanding Chief HR Officers – and their direct reports across the HRBP and key centres of excellence – spanning financial services, corporates and professional services. This includes 'New World' areas such as HR Transformation/People Analytics, Employee Experience and DEI.

Solving the puzzle of complex placements for the uncharted territory of tomorrow's workplace is what motivates Karen. She relishes this challenge and is always ready to lead clients when the path forward may not be obvious. She is commended by those clients for her deep knowledge, creativity, tenacity, trust and fierce commitment to finding the best talent.