



WHITE PAPER

Corporate Governance Changes
for Employee Engagement

INTRODUCTION

CHANGES TO THE COMPANIES ACT

In 2017 the then Prime Minister Theresa May announced that, as part of a drive towards a more responsible capitalism, workforces and other stakeholders need a stronger voice through to the boardroom. As a direct result the UK Corporate Governance Code, along with the statutory reporting requirements for section 172 of the Companies Act, were amended.

Effective from January 2019 these amendments require the boards of listed and other large companies to focus on their stakeholders rather than primarily the shareholders, and in particular for all companies with more than 250 employees to demonstrate tangible employee engagement.

The overall aim is to make businesses more accountable and transparent, and has major implications for the proper Corporate Governance of these companies.

Whilst there is discretion in how to adapt to the new guidance, and adopt new practices, the intent within the changes is clear and a mandate that business leaders must take, and be able to show that they have taken, a more holistic view of their business.

Stakeholders include all of those people or organisations that interact with, or are engaged with, the company.

These obviously include the shareholders but also include the employees, broader workforce, suppliers and the community within which the business operates.

Whilst the Corporate Governance changes are directly relevant to companies that must comply with the Act, the content provides what can be considered best practice across all employer types, and so is worthy of serious consideration by all organisations.

NEW CORPORATE
GOVERNANCE CODE
APPLIES TO ALL
COMPANIES WITH
MORE THAN 250
EMPLOYEES

EFFECTS OF THE ACT

WHAT NOW NEEDS TO HAPPEN

The ultimate objective of the changes to Corporate Governance is to improve transparency and, ultimately, the invest-ability in the business, recognising that is driven from adopting best behaviour and bringing innovation to the working environment. This includes creating and supporting a motivated and engaged workforce; the link between happy and productive people and the ultimate bottom line is well documented.

This correlation is directly reflected in the Act as it requires businesses to properly engage with their people.

Whilst the way to engage is not mandated, the outputs and minimum requirements are discussed. These should include:

- Two-way communication (“conversations” linking employees to the board);
- Regular and consistent engagement, with everyone understanding the mechanisms and processes;
- Reflecting the workforce views fairly and transparently;
- Feeding into the decision-making process, with proper feedback and meaningful actions;
- Encouraging active participation;
- The provision for elective anonymity.

Companies need to then report specifically (on a comply or explain basis) on their engagement policy and outcomes, proving that the board are both aware of the issues raised and supportive of action undertaken.

This requires the board to have at least a nominated individual with responsibility for the process, monitoring and reporting.

This could be satisfied through a Director being appointed from the workforce or non-executive Director with the requisite responsibility, perhaps complemented by a workforce advisory panel.

CHALLENGING BEHAVIOUR GENERATING BUSINESS BENEFITS

This is not just “motherhood and apple pie”! And as the Guidance notes point out, this will not be satisfied by an annual employee survey!

It recognises that an innovative modern business:


- needs to nurture a bottom up approach to engagement, as it is the people in the business that actually “represent” the business to the world, and;
- that the people doing the job actually know what works and what could be done better, enabling early identification of problems or beneficial ideas.

It also fosters the idea of democracy in that all opinions are valid.

Who wants to only be able to speak when spoken to?

The changes to the Act present companies with some significant challenges; true engagement across the business, analysis, action, monitoring and reporting.

It is an iterative process that needs to become embedded in the corporate culture for the long-term.

A large, light green circular graphic on the right side of the page, partially overlapping the text area.

BOTTOM-UP
NATURAL STYLE TO
PEOPLE
ENGAGEMENT IN
REAL-TIME: YOUR
FINGER ON THE
COMPANY PULSE

PART OF YOUR SOLUTION

TRICKLE PEOPLE ENGAGEMENT

Trickle is an innovative solution that has been developed to cost effectively and simply provide a solution across this full spectrum of activity.

It provides employee engagement in a way that mimics natural discourse, most critically allowing people to “speak their mind” at the time it is relevant via a social media type interface.

A trickle could be an idea, innovation, concern, issue or praise. Colleagues can see the trickles and add their support to those which resonate; this naturally and very quickly provides a snapshot of the most pressing issues, or best ideas.

Trickle is not however just a “talking shop” or “suggestion box”. A champion will take responsibility to work with the interested cohort until the cohort decide (democratically) that the Trickle is resolved.

A summary of all of this information is available via a dashboard so that “management” have a clear, concise and current view on the business, a finger on the pulse of what is actually happening across the company.



Improvements can also be tracked and measured against specific business objectives. Trickle can be structured to reflect the organisation, perhaps by location or department, but retains the inherent ability to concatenate the data to the “top” of the pyramid for the ultimate corporate view.

In addition to directly helping to meet the requirements of the Act, the business will also see direct benefits.

A better engaged workforce will be more productive, more enthusiastic in their engagement with customers and suppliers, staff churn will reduce, operating processes and procedures will improve, and new policies can be people tested prior to release.

To find out more about how Trickle can help your business please contact ...