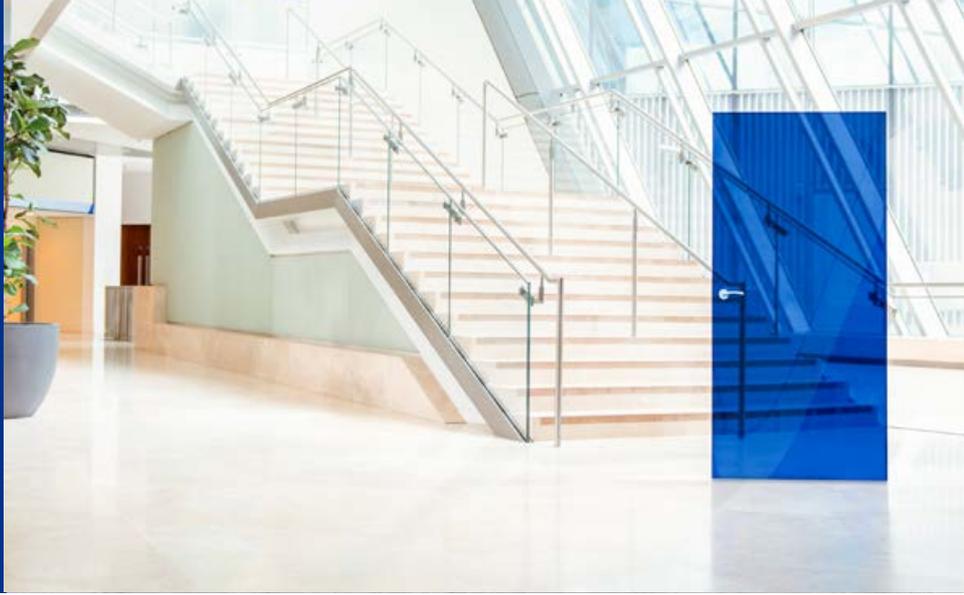




A conversation about employee non-executive directors

KPMG Board Leadership Centre



At a time when, despite all the rhetoric about diversity in the boardroom there has been such reluctance to appoint 'workforce directors' in the UK, Sir Ian Powell (Capita Plc Chair) along with Lyndsay Browne and Joseph Murphy (Capita's two employee non-executive directors) joined our FTSE350 Board Leadership Centre meeting to provide some insight into why Capita decided to appoint employee non-executive directors – one of only a handful of UK companies to do so.

Why have employee non-executive directors?

Accepting that employee non-executive directors might not be right for every company, Sir Ian spoke of Capita's major transformation exercise and how the board felt that a different perspective around the boardroom table would help the board make better decisions. *"Capita touches millions of people every day and we felt that a different perspective would help educate the board in some of the important decisions that were being taken and also help better understand how the business was being perceived externally."*

What is an employee non-executive director?

For Capita Plc, the employee non-executive directors are "full on" non-executive directors with the same statutory duties as other directors. *"They are not workforce representatives and they are not elected by the workforce. They are paid the same as our other NEDs and they have exactly the same responsibilities."*

The appointment process

The recruitment process started with a job description - much as you would when recruiting any non-executive director - disseminated across Capita's 61,000 people. The only eligibility criteria was that applicants had to have been employees for more than two years. Applicants were asked for a 200 word statement on why they wanted to be a director, why they thought they would be a good director, what was wrong with the company and, most importantly, what the company could look like in 2-3 years time. *"Just getting such rich and thoughtful statements was really helpful to the board."*

A recruitment firm helped distil 400 applicants down to 40 – ensuring good diversity throughout. Successive interviews by the Company Secretary and Legal Counsel, and then the Chief People Officer and CEO reduced the applicants to a shortlist of seven who were interviewed by Sir Ian and the Senior Independent Director.

"To reduce any unconscious bias, we had a dedicated independent person from Business in the Community sit in on each interview to ensure consistency and fairness, and help mitigate any unconscious bias."

Support mechanisms

Capita provided the newly appointed employee non-executive directors with a bespoke training programme on what it means to be a PLC director, media training, an external mentor and an internal board member mentor plus access to anybody else they wanted to talk to.

"The level of support has been a key success factor. It was very thoughtful from the outset, but also on an ongoing basis. The mentor on the board has been hugely valuable in helping me become more comfortable in sharing my views and in terms of behaviours and how best to contribute."

Why take on the role?

The employee non-executive directors talked about the opportunity to influence and share their views with other board members – and of course the huge learning experience. Both were reassured by the rigorous appointment process which – while difficult – gave them some comfort that the board were looking for meaningful engagement, not window dressing.

Balancing the demands of the day job

Balancing the demands of a day job with a board role was seen as one of the more challenging aspects and both employee non-executive directors talked about the importance of being open with colleagues. *"Planning one's time carefully is important, but interactions with colleagues has been trouble-free. They are interested, but not intrusive."*

Sir Ian also spoke about the time spent with Lyndsay and Joseph's immediate line management to ensure they understood the importance of the separate board role and were not alienated.

Employee director or conduit for employee views?

There has been no direct contact with any employee representatives and very little lobbying from colleagues. Joseph emphasised the difference between an employee director (arguably without a second level of engagement into the company) and the concept of designated directors and advisory boards where the onus is very much on reaching out to the workforce more generally.

That said, both employee directors do take it upon themselves to understand the existing engagement channels (staff surveys etc.) and talk to colleagues and the various different engagement groups within the business.

How is it working in practice?

Sir Ian spoke of the importance of the support provided by the board as a whole; and that, as Chair, you run the board meetings and ensure all directors get to contribute - but that is the same for everyone, not just the employee directors.

"It feels like you have had the blinkers taken off when it comes to thinking about how things might land with the workforce. To have someone sitting inside the business receiving communications from the CEO and CFO, and who can put that into context for the board, is really valuable".

While a decision might not have completely changed direction as a result of the employee directors' intervention, Sir Ian spoke of a whole series of decisions where their input carried equal weight as the other directors and that their views were really important to informing the overall debate.

From the employee director perspective, Joseph spoke of consensual decision making and their understanding of the depth of cultural change. Lyndsay spoke to her contribution around employee sentiment and in particular her insights into how people feel about the company's response to COVID-19.

In response to a question about the dangers of a *de facto* two-tier board where meaningful debate and substantive decisions are made outside the boardroom (and, by implication, without the employee directors present), Sir Ian was quick to assure attendees that this was not the case.

"Categorically no. I can't think of a single thing that was not debated at the board. Normal Chair/CEO interactions do take place but all board decisions are made in the boardroom." This was backed up by the employee directors.

Committee membership

Conscious of their workload, the employee directors only sit on one committee each (one on the audit committee, one on the remuneration committee), but naturally can attend other committees if wished.

Curiously, at the recent AGM there was some limited pushback from investors about the appropriateness of employee directors sitting on the board committees, particularly the audit committee. (Presumably this was down to questions of perceived independence.)

Lyndsay spoke about the importance of having an employee director on the remuneration committee as executive pay can be such a contentious area for many employees. *"As an employee director with dual perspectives you are in a very privileged position to be able to understand what people are contributing throughout the organisation and have a constructive opinion on both remuneration levels and mechanisms."*

For more insights into workforce engagement, please refer to our BLC papers on [the benefits and challenges of workforce directors](#) as well as our thoughts on bringing the voice of the workforce to the boardroom through [designated NEDs](#) and [workforce advisory panels](#).

The KPMG Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. Membership offers you a place within a community of board-level peers with access to topical and relevant seminars, invaluable resources and thought leadership, as well as lively and engaging networking opportunities. We equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

Learn more at www.kpmg.com/uk/blc.

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