The Need for Boards to Remake their Committee Structure

By Hedley Lawson, Global Managing Partner of Aligned Growth Partners, LLC

It has become almost daily news to read about the workplace concerns expressed by employees --- either passively, in the press and media, and sometimes through active protests. And these ever-increasing concerns span highly regarded publicly listed companies as well as those of less public stature. Some of these reported missives involve Fortune 500 companies that have technology- and service-leading companies with record-breaking market value. Whether it is the public or company employees, we know in today's world that increasing revenue and profits alone does not alone determine "A great place to work."

If the issues being raised were directed to only a few companies, one might surmise, "*They have problems needing attention before higher turnover, job market stress and attempts to unionize materialize in their organizations*." But that is not the case. The issues are numerous and widespread, and now deserve more serious, active, and sustainable attention. And for those companies that wish to ensure that they have a company-wide team that is engaged and involved in the entire business and are recognized for successes, meaningful change is in order.

So, what are the concerns and claims being expressed? They include sexual assault and harassment; gender, race, and financial inequities; a lack of trust and empathy; LGBTQI equality; workplace safety, personal health, and wellbeing; communications, inclusivity, and culture; and transparency and engagement. And not to be overlooked has been offensive and legally inappropriate behavior of some executives resulting in a leader's resignation or termination.

Given publicly expressed employee dissatisfaction and the related press coverage of these issues, consumers and shareholders are now asking, "*What is the board of directors doing about this*?"

With public board oversight by various agencies like the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotations (NASDAQ), along with similar organizations worldwide, boards have structured themselves with specific committees to address corporate guidance and oversight. The NYSE and NASDAQ for the most part require boards to have a Nominating and Governance Committee, an Audit Committee, and a Compensation Committee, each with specific, well-focused responsibilities and accountabilities. Should specific topics outside the scope of these committees arise, boards often establish a Special Committee to address issues that are outside of the purview of the established committees. And in some cases, boards infrequently have other committees noted in a 2016 study "The Structure of Board Committees" by the Harvard Business School. Of the eighteen other occasional committees found in this research, none were specifically focused on Human Capital Management or Organization.

So Why a Board Makeover Now?

Historically, boards have left employee related issues to the executive suite and the management team to address and resolve. But with greater public visibility of corporate success and shortcomings, along with widely reported legal implications, we see CEOs along with their management team squarely accused of violations of law and perceived disregard for wide-ranging people issues. One must now ask, is this the time for boards to revisit their board structure and committee responsibilities.

The "New" Need of Boards

With the long and increasingly critical list of organizational and employee imperatives associated with corporate policies, human behavior, and other serious issues, boards are now being drawn into more human capital and organizational issues. Shareholders and investors may well increasingly express their concerns regarding the lack of board involvement. Lack of attention and focus on these issues is by no means "the new normal." Boards must now thoughtfully and transparently reinvigorate the human contract with their employees. The imperative is now present for boards to require greater visibility by management in organizational issues and risks. To do so without diluting the current board committee structure and fiduciary requirements, it is now time for boards to establish an Organization Committee.

A new board Organization Committee would bring the ability to provide further insight and focused oversight into critical human capital areas, all of which are essential to the successful operation of the company as well as enabling the business to become more agile and transformative for sustainable success. These important areas would include organizational communications; trust, culture and architecture; safety and well-being; talent acquisition and retention; diversity and equality; inclusion and engagement; learning, professional development and succession planning; performance alignment and accountability; and other areas identified as important by employees and shareholders

Forming a new Organization Committee is not something to be taken lightly by a board of directors. While it may seem inviting to continue forward with greater management transparency and reporting, this new committee deserves the time commitment and engagement by board members. And, alternatively, asking current board members to assume a new committee role would surface what they already know about their colleagues: most lack the human capital management background and experience as well as the skills and diversity to take on this new obligation. In carrying forward this discussion, board members should give further thought to board size given the newly required qualifications to serve in such capacity. This question, and the importance it deserves, should be discussed as part of this new board of directors' imperative in 2020 and beyond.

Going Forward with a New Imperative

To move this initiative forward with the seriousness and candor it deserves, boards need to look through a new lens to re-assess their composition with an eye toward seeking candidates with substantial expertise and senior executive leadership in Human Capital Management, not simply service on multiple boards of directors. This discussion should include prospective candidate industry-specific knowledge, and expertise in and demonstrated knowledge of finance, marketing, operations, and C-suite leadership, not just one who has had "A seat at the table" or a current or former CEO. Additionally, new board candidate assessment for the Organization Committee should seek more age-diverse candidates across a wide spectrum of race and ethnicity, culture, gender, and gender identity, and areas that have been widely reported as deficient on public boards of directors in the United States.

If 2020 has taught us anything, it is that boards must remain diligent, have an open mind, and be willing to change in the new world of board accountability to all stakeholders.

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Prior to founding AGP, Hedley was Vice President Global Human Resources for Multi-Fineline Electronix, Inc. (MFLEX) where he was responsible for global human capital strategy and organizational excellence for a workforce of over 20,000 colleagues. Reporting to the President and Chief Executive Officer, he was a member of the Executive Leadership Team, and worked with the Board of Directors and Compensation Committee. In 2007, he led MFLEX's global strategic planning process through a recession, resulting in record growth in revenue, operating income, and ROIC. The company was shortly thereafter recognized by Business Week and Fortune Magazines as one of America's fastest growing corporations.