

Increasing Influence of HR in the Boardroom



We had the pleasure of Richard Pennycook OBE, the former CEO of Co-op and now a plural Chair, to give his views at our latest HR Directors' dinner on what is impacting on people today and what needs to be done, as well as sharing insightful experiences from his career. Richard's talk covered three main themes:

- **How is the emergence from 3 years of crisis impacting on the shape of the teams who will take businesses forward.**

From a geopolitical context, we live in troubled times, there is a leadership vacuum in the West, coupled with over geared economies. With regards to the UK, the outlook is equally challenging and whoever wins the next election will have little room to manoeuvre. However, it is important to be bold and lean into these challenges with the intent to overcome them.

The 1980's and 1990's were relatively stable, but people under 40 have lived through 9/11, the financial crisis, Covid and in the UK, Brexit. Disruption has been frequent, which creates uncertainty and unpredictability. People define themselves on what they do for a living and in these times the workplace can be a haven and a place of certainty for many, or for some a scary place to be. For the former to prevail we need good leadership now more than ever.

There are two important elements:

Metrics: The world has 500 years of measuring performance through numbers, in today's world the numbers and metrics required are changing. ESG is in its infancy, and it is critical to ramp up the metrics. The 'S' (in ESG) = people, and the insights metrics give are important both internally and externally to companies. The HR Director is pivotal in bringing the message and insights which enable the Board to make the right decisions.

Culture: His tenure at the Co-op was very important to Richard, and particularly the leadership role that he enacted in the turnaround of its reputation and performance. He describes the first task of fixing the basics as both exhausting but equally very gratifying.

After Richard's first 6 months at the Co-op, a Radio 4 business programme questioned on a Monday whether the Co-op was going to survive. On the Thursday of the same week, The Queen and Prince Phillip arrived to open the Co-Op's new head office. On the Friday of the same week, the Mail on Sunday Editor advised the business they were going to run 'an interesting story' on Paul Flowers, the former Chairman of the Co-Op Bank. This led to a reputational crisis and a media onslaught.

Richard described the very essence of the Co-Op to be all about ethics. One of the most telling points about the Co-op culture at the time was that it became clear that the behaviour of the Chair of the Bank was common knowledge within the business, yet no one had spoken up about it.

If the culture does not match what the organisation stands for, it must be fixed. In order to turn around the business, the Co-op board decided to take all 80,000 colleagues through a programme of "What the Co-op Stands For". With no room for

compromises. Richard surmised that to build a strong culture in today's world is as important (if not more so) than it was back then when he was leading the Co-op. A culture that gives employees a voice so that anyone in the organisation can call out wrong behaviour and ask probing questions of the board's governance.

- **What is the skills agenda for UK plc 2024 and beyond.**

Richard considered that the skills agenda has changed somewhat. Pre-Brexit if the UK needed more skills, it was easy, we could go offshore or recruit EU nationals to the UK. Now we are in a different world. Currently, the UK spends about half the amount on vocational skills training compared to other European countries. The outlook for businesses must change, many organisations do not have access to many of the vocational skills they require, (currently c.11,500 skills vacancies) and this needs to change. The UK needs to recognise more the value of vocational skills, such as T levels vs A-levels, apprenticeships etc.

Thanks to Tony Blair's initiative in ramping up student access to universities, we now have £200bn of outstanding student debt, of which the taxpayer will have to underwrite half in the coming years. Thankfully, Richard assured us that the pendulum is beginning to swing back to valuing vocational skills, with businesses beginning to adopt a more blended approach to what skills they bring into their organisations.

- **The role of HR in the boardroom and how this is changing.**

The common theme that 'people are our biggest asset' remains true. People want purpose and stability. The workplace is a critical part of people's lives. Richard believes there is a growing trend of the HR voice becoming stronger in the boardroom. Organisations are not just about their people, but also how they interface with society and the wider communities, this goes back to the 'S' in ESG.

Richard's talk was then followed by a Q&A session:

Q. How can the CPO support the CEO when corporate reputation is at risk?

A. This is usually underpinned by cultural issues, which need to be measured and quickly acted upon when not aligned. Town Hall meetings and water cooler discussions usually give a good indication of the current vibe of an organisation and when action needs to be taken. Boards should be constantly monitoring cultural themes and striving to enable a culture where people are free to speak up and act in an inclusive manner. The CPO must play a pivotal part in enabling this to happen.

Q. How do we learn to do things differently, which usually takes courage, conviction and boldness?

A. If tough decisions need to be made, it should be done quickly and faced head-on. Be bold and get on with it. The Government during the financial crisis was a prime example of not doing this. Good people will always thrive, whatever the circumstances. Humans through Covid have proved to be more

resilient, flexible and innovative than we thought, they will respond positively to positive action.

Q. What are your reflections of working from home?

A. Everyone in business is wrestling with this. On balance, young people learn much more in the office than on a zoom call. The workplace is a safe place for some, and shared values and purpose is important. By nature, humans are social animals. Hybrid working is here to stay but it is not absolute.

Q. How did the HR Director support the turnaround and what role did you play at the Co-op?

A. When things first blew up at the Co-op, we received a 6 notch Moody down grade (similar swing to the one Enron experienced in the late 1990's) and the existing leadership team was shown the door. Within the first 72 hours the HR Director had recruited a new Chair, CEO and CFO (me). The ability to act quickly and have the courage to make decisions proved pivotal in saving the business.

I came in initially on a 3-month contract, as at this time I was going plural. Then it was extended to a 6-month contract and in time I took over from Euan Sutherland as the CEO. Overall, I stayed 4 years, and I don't regret it at all.

Q. What traits and skills does a great HR Director need?

A. These are similar to those skills of a great CEO:

- Courage, guts, and self-confidence.
- breadth of experience beyond the people function.

- anticipates problems before they occur.
- integrity – what is right for the organisation, being selfless.

All good CPOs I have worked with in my time, are able to 'see around corners.'

Richard Pennycook – Profile

Richard stepped down as CEO of the Co-op in 2017 in order to pursue a portfolio career, having joined in 2013 as part of a team which saved it from near collapse. He has over 30 years' experience in retail, starting with the management buyout of Allders in the late 1980s.

Over the years, he has been involved in the growth of J D Wetherspoon and the turnarounds of Laura Ashley, Welcome Break, Bulmers and Morrisons. Richard recently stepped down as Chairman of Howdens Joinery.

He is currently Chairman of Manchester based On the Beach and most recently Birmingham based Two Sister's Food Group/Boporan Holdings. He's Co-chair of the Retail Sector Council and a lead non-executive Director of the Department of Education.

Richard has recently joined fashion lifestyle retailer Wolf & Badger as Chairman from January 2022. In October 2021, Richard was appointed Commander of the Order of the British Empire (CBE) for services to retail.

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