



Philip Baxendale Awards 2010: Culture Award RCU exists to further the long-term interests of its staff



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Contents

What is RCU?

History of Employee Ownership at RCU

Current Ownership Model

Governance Model

Culture of Involvement

Performance and Reward

How Ownership Contributes to Our Success

Appendix

Appendix 1: Extracts from the Company Business Plan

Appendix 2: Internal Team Principles

Appendix 3: Agenda from a Recent Business Review Day

Appendix 4: Guidelines for Staff During a Recent Election of a Shareholder-Nominated Director

Appendix 5: Advertisement for a New Member of Staff and Selection Day Arrangements



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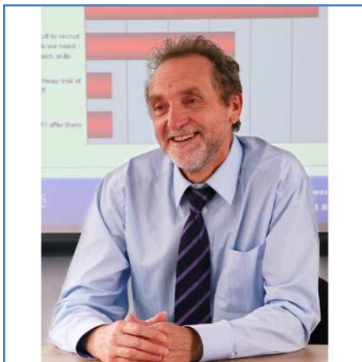
What is RCU?

RCU is a 100% employee-owned research and consultancy company based in Preston but serving a national market. We specialise in public sector research and our clients include Government Departments, public agencies and further education colleges. The aim of the company is “to further the long-term interests of its staff”.

RCU started life in 1987 as a local government development unit. In 1993 its team of seven staff took it into private ownership in partnership with a consortium of further education colleges. Four of the original seven are still with the company today.



Dave Carter: recent graduate, in his first job, RCU shareholder and elected Board member.



Peter Byram: joined the company in 1990, RCU shareholder and Director of Quantitative Research.

RCU has 18 employees, all with equal rights to share ownership and profit sharing. The team includes strategic consultants, data specialists, qualitative researchers, quantitative researchers, administration and logistics specialists and research assistants. The whole team shares a single open-plan space, designed jointly as a team project during a major refurbishment last year. The current strategic business plan, drawn up over a six month period with whole team involvement, describes RCU as “a growing community of professionals, interacting within innovative teams and delivering strategically important research and consultancy that influences national learning and skills policy.” We believe our ownership model is inextricably linked to the service we offer our clients.

History of Employee Ownership at RCU

When RCU became a private limited company in 1993, the Managing Director and Deputy Director were given shares in the company and all other shares were owned by a consortium of further education colleges. This position lasted for around 8 years, but legal changes meant it became increasingly difficult for colleges to own shares in commercial companies. We had already established a system of profit-sharing, whereby all staff with at least one year of service received a salary bonus of equal monetary value.



Nonihal Kandola: RCU shareholder, Data Analyst and one of three staff running the Staff Benefits Budget.

In 2001 a process was put in place to replace college shareholding with an Employee Benefits Trust (EBT) to own shares on behalf of all employees. The Managing Director owned 50 shares (the Deputy Director had left and sold her shares back to the company) and the EBT was allotted 30 shares, ensuring checks and balances in the event of any significant structural change. The EBT was also a vehicle by which collective benefits, such as trips, events and low interest loans were made available to staff.

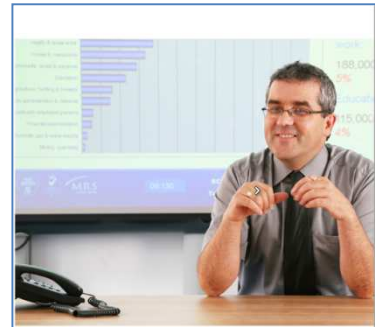


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The division of ownership between the Managing Director and the EBT worked well in a structural sense. The MD's shares gave nominal ownership only. They were held by the postholder only while they remained an employee and would be redeemed at par value in the event of the MD leaving. The EBT shares were, therefore, the only permanent shares in the company. In the event of the company being bought out, the EBT shares would accrue the full value of the company, which under the terms of the Trust Deed would be distributed to staff in proportion to length of service. However the structure of indirect ownership was increasingly at odds with the prevailing culture of total direct involvement and common enterprise at RCU. All staff, regardless of salary, were entitled to the same monetary profit share each year. All staff were entitled to attend Board Meetings, see all Board Papers in advance and make their views known through an EBT-nominated director who they elected. All staff were also involved in shaping strategy and company policy, through six monthly off-site Business Review Days and weekly full team meetings.



Gordon Aitken: RCU shareholder, Managing Director since 1991 and RCU team member since 1990.

Current Ownership Model

In the Spring of 2009, RCU completed two years of transition to individual staff ownership under an Enterprise Management Initiative (EMI) scheme, giving each member of staff direct and personal ownership of the company. For the duration of their employment (after a one year qualifying period) all staff hold one Class A Share in the company. A Shares (redeemable at par on departure) are the main decision-making shares and entitle the holder to a dividend. Staff also build up capital ownership through ownership of Class B shares. These were distributed to staff with at least one year of service in 2009 in a ratio of 60 shares per full year of continuous service. A further 60 shares are accrued each year as long as the member of staff stays with the company.



Mohammad Naeem Kazi: RCU shareholder and member of the Staff Benefits Budget committee. First joined the company as a degree placement student.

On departure the member of staff has the right (but no obligation) to offer the shares to the company or they can hold on to them. B Shares have no voting rights in normal circumstances but would gain voting rights in the event of a sale or winding-up. In the event of a future sale, B shareholders would have voting rights and a share of the proceeds. This was the trickiest part of the transition arrangements. Staff were being given a claim on the assets of a well-established company and could have faced a substantial tax bill. In the event, the company commissioned the accountants Grant Thornton to draw up the EMI scheme and negotiate with HM Revenue and Customs to discount the share value on transfer. The company also agreed to underwrite the eventual personal tax liabilities for all staff and settle these through a single advanced credit to staff tax accounts.



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Governance Model

RCU is governed by a Board of Directors who have a duty to operate the company in the interests of its shareholders. The Board is made up of the Managing Director, four non-executive directors and three directors (all staff currently) nominated by Class A Shareholders. Five current members of staff have served as directors in addition to the Managing Director and there is a policy of rotating three year terms of office. The non-executive directors, selected by the whole team, currently include a nominee from John Lewis Partnership as well as a former Council Leader, a former Shell director and a management accountant with a long track record of public sector Board membership.



Maggie Porteous: RCU non-executive director nominated by John Lewis Partnership.

During the transition to individual share ownership, all staff were trained in the rights and responsibilities of shareholders and were given wider training in company law and good practice in the operation of Boards. This also forms an important part of induction for new staff. All staff are also issued with a personal copy of an Institute of Directors guide to effective directorship and this acts as a common reference point for the whole team, for example in drawing up the terms of reference of Board sub-committees. All shareholder-nominated directors receive external training in their rights and duties and are allocated a non-executive director as mentor. The most recent nominee, who will serve a three year term, is Dave Carter who is a recent graduate in his first job but who felt confident to take on the role due to his involvement, from the outset, in company structures and decision-making. Prior to the most recent AGM, all staff were invited to attend a two-part internal training session on understanding company accounts and internal management reports and this led to active and informed involvement in the subsequent AGM.

Culture of Involvement

Employee involvement is embedded into every aspect of RCU's operations. From the day they join the company, all staff are entitled to attend Board Meetings and meetings of the Audit Committee (made up of non-executive directors) and to play a full part in determining company strategy and policies. Our Business Plan (see Appendix 1), endorsed by the Board in July 2010, was the product of extensive involvement by the whole team. An initial Business Strategy Event, attended by the Board and Heads of RCU's four strategic teams, assessed our external environment and core business competences and drew up a list of six possible options for our strategic direction. These options were then fed back to all staff through strategic team meetings and weekly team meetings and all staff were involved in assessing the options and their implications for internal operations.



RCU's most recent Board Meeting. All staff can see Board papers in advance of the meeting and have the right to attend all meetings with the exception of items relating to individual employees.



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The Business Plan then formed the main agenda item at one of our six-monthly Business Review Days (see Appendix 3), which are attended by all staff and directors. The six options were reduced by agreement to three linked strands and these then went back to the strategic teams (all staff are in one of the teams) to determine short and long-term team objectives and actions to deliver the plan.

RCU also operates to clear principles drawn up and regularly reviewed by the whole team. These include an “outward-facing” set of business principles (see Appendix 1), shared with clients, and a set of team principles for internal communication (Appendix 2), which describe how we want to work together. Both these aspects feature strongly in staff recruitment and induction.

Staff recruitment is another process in which all employees are involved. We recently recruited an additional strategic consultant to support the new business plan. The culture of ownership and involvement featured heavily in the advertisement (see Appendix 5) and helped produce a high quality field. On the day, the first session for each candidate was an informal meeting with a small group of staff to discuss our culture and values. This was followed by competence exercises designed and assessed by our Quantitative and Data Teams and then a presentation on a relevant topic to all team members who wished to attend. This was again formally rated by each member of staff, contributing to the candidates’ overall scores. After the formal interviews the whole team reconvened to listen to staff feedback on their impressions of the candidates at each stage of the process before a final decision was taken.

Another clear example of our culture in action was the consideration of a potential office move in 2009. Once again, a Business Review Day played an important part, with all staff feeding into a set of selection criteria for potential new premises. A sub-committee (open to anyone who wished to take part) then drew up a shortlist of possible alternative sites and these were visited and discussed by all staff. In the end, a decision was taken by the whole team to remain in, but extensively refurbish, our existing offices on a new ten year lease. All aspects of the process, from the selection of a design company to the choice of carpeting and colour schemes, was a full team process. The outcome is a high-quality working environment. The whole team operates interactively in a single open plan space, with a variety of break-out rooms, interview pods and meeting areas coming off it.



Richard Boniface (Shareholder and Director of Strategic Consultancy), Anne Mercer (Shareholder, Finance Manager and Company Secretary) and Gareth Wilson (Shareholder, Strategic Consultant and director) take part in a new service development meeting.



RCU’s open plan office – designed for the team by the team.



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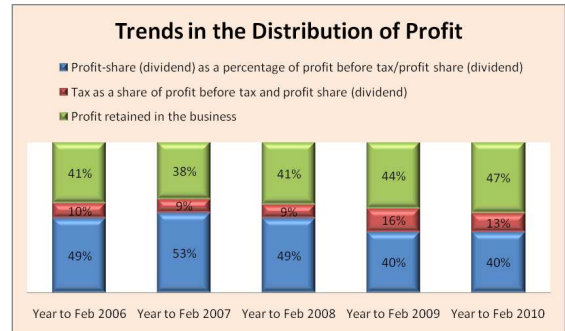
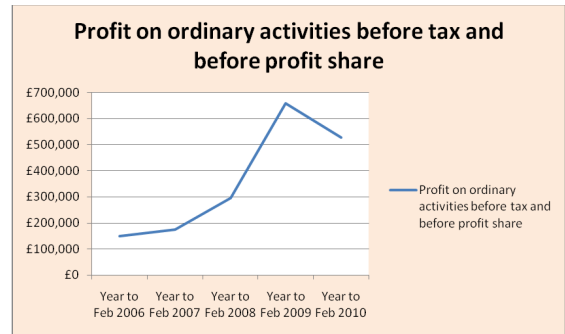
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Performance and Reward

The company has increased profitability and employee reward considerably in recent years as the charts show. Every member of staff received a dividend running into five figures in each of the last two years and the company has strong financial reserves. Profit dipped in 2009/10 as a result of our major refurbishment of the offices and the costs of the restructuring of our ownership model.

Our current market conditions are not easy – we provide services to the public sector and commissions are still frozen following the election – but all staff are kept fully informed of our trading position through a monthly “Owners’ Update” and are fully engaged in a wide range of operations to implement the new Business Plan.

Employee ownership and common enterprise are also central to our reward structure. All staff are paid a market competitive salary but have the opportunity of considerably higher reward through the earning of dividends. This is deliberately a single group performance reward. We work together inextricably on all projects and success or failure is a team outcome. In addition to salary and dividend, all staff are entitled to health care benefits, a group pension scheme and collective benefits through a Staff Benefits Budget. These rewards, originally distributed via the EBT, are voted on by all staff and managed by a committee. Recent collective rewards includes events and outings, a £400 grant for health or fitness related spending and a jointly owned luxury caravan available for all staff to use.



Colette Weepman (shareholder and Research Assistant) and Liz McMichael (shareholder and Deputy Director) discuss a new project.

How Ownership Contributes to Our Success

What our customers say:

- Customer focus excellent and happy to develop the specification to meet needs. Meeting rather than email discussion also very good.
- Good listening to the areas we wished to explore and suggestions for the areas to follow were helpful.
- Excellent all round, not just in meeting the final deadline but in responding to requests for support along the way.
- Always responsive and happy to assist.
- The team demonstrated a professional approach throughout the project, particularly during sensitive discussions during steering group meetings where order was maintained.



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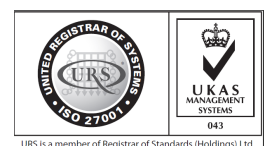
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- Worked as a team. (Named member of staff) led the team very effectively. All contributed with constructive ideas.
- RCU maintained a flexible approach throughout that was steered by the actions of the steering group.
- We always get a first class service.
- RCU took ownership of the project.
- Responding to our needs and not taking something off the shelf.

These comments illustrate the benefits our customers get from the commitment and professionalism of the whole team. Underpinning this is a strong commitment to training (we have held the Investors in People award since 1994 and professional standards we are accredited to two international standards covering market research [ISO 20252] and information security [ISO 27001]). All staff have access to training and development and we are currently funding training up to Masters level.

A key element of our culture is the belief that all staff, whatever their role, have the right to all data relating to the company and its performance and have the right to contribute to all discussions relating to company development. The few exceptions are known and understood: individual salaries, disciplinary matters and confidential personal discussions.



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Appendix 1: Extracts from the Company Business Plan

Introduction to the Strategic Plan

This Strategic Plan is a formal statement of the key principles that will guide the company over the next few years. It pulls together in a single document answers to all the most important questions about the company:

- What is the company for?
- What sort of company do we want RCU to be?
- What are we trying to achieve?
- How can we be successful?
- How will we measure that success?
- How will different parts of the company contribute?

The plan does not attempt to set out everything we should do over the next three years; things move too fast for that. But it does aim to provide a common point of reference that we can use to guide the decisions we'll have to take and to make sure all our efforts are aligned.

So you shouldn't expect to find the answers to every issue we will face in the next few years within the plan. But when you are involved in a key decision, the plan will help set out the parameters and should help you consider priorities: what alternatives have we got and how well do each of them align to what we have set out to achieve?

This plan has a nominal three-year lifespan. This is arbitrary. We'll use the plan for as long as it is useful and we'll amend it when we have to. The core principles of the company have been set for many years and are embedded in all our structures, but our strategies and tactics will need constant monitoring.

As you read the plan, think about what it means for you and what you can do to make it work. Everyone has contributed to the messages it contains and it will take the alignment of everyone's efforts to make it work. We're all owners of RCU and ownership means a balance of responsibilities and benefits. The responsibilities include taking an interest in all aspects of what we do, assessing and developing your contribution to our success and constantly questioning how we could do things better. The benefits come in a variety of guises: financial rewards, social interaction, intellectual challenges but above all the chance to be part of something unique and successful.



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RCU Key Purpose

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What does this mean? Well, above all it means that we are all part of a collective undertaking. We are a community of professionals who have decided to pool our collective talents for mutual benefit. The company is the legal structure and systems we build around that but ultimately we are a group of individuals who have joined together in the expectation that we can be successful.

We remain a relatively small company and this brings huge benefits in terms of our involvement in the company and the clear difference each one of us can make by our daily effort. But it does mean we will always face an element of uncertainty. RCU cannot guarantee any of us long-term employment, but the last few years have shown us that no organisation can. What RCU can guarantee is a commitment to developing the skills, understanding and commercial awareness that will give each of us long-term employability.

This is also reflected in many of our structures. Our non-executive directors have a vital role to play in ensuring that we are thinking long-term, pursuing sensible strategies and taking acceptable and informed business risks. Our shareholding structure gives each of us a say in major decisions and the chance to serve as directors. Our commitment to excellence and professionalism in all our processes is a collective promise that we will stretch each other and set ourselves ambitious targets.

RCU Mission and Vision

The mission of RCU is to develop practical and relevant research and consultancy solutions for clients through innovation, professionalism and market expertise.

This says a lot about the sort of company we want to be and the messages we want to convey to customers, partners and competitors. You could view each element of the mission as a challenge we set ourselves and a test we can apply to every area of our work:

- Are our recommendations relevant and based on sound understanding of our clients?
- Are our methodologies flexible enough to adapt to the needs and context of each client?
- Do we constantly refresh our approaches and scan the outside world for better ways to deliver value to our clients?
- Does professionalism guide every stage in our processes and do we benchmark ourselves against best practice in our industry?
- Do we only take on work in sectors where we have genuine understanding and are we continually updating that understanding?



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We see the company as a growing community of professionals, interacting within innovative teams and delivering strategically important research and consultancy that influences national learning and skills policy.

This is a picture of ourselves that we first set out in the 2012 vision. We expect to grow, because that allows members of the team to specialise and develop their expertise. It also gives us more cover in key skill areas, helping to build our security. The vision also makes clear that we want to be at the heart of our specialist sector, delivering projects that make a real difference and that stretch us in all of our skill areas.

RCU Core Business Principles and Values

RCU operates very differently to most other companies and we have core business principles and values that are central to the company we want to be and that are key drivers of our success. These are:

- that everyone owns the company and that ownership and employment are inseparable;
- that every member the team has rights and responsibilities associated with ownership;
- that every member of the team is entitled to build a share of ownership of the capital of the company each year;
- that every member of the team has an equal right to all information about the business and its performance except where this conflicts with the privacy of others; and
- that surplus profit should be shared equally among those who have generated them.

We pursue our mission using a set of core values drawn up and reviewed by the whole team:

- we believe in the power of learning to create social and economic justice and believe that robust and professional market research will help our clients improve the quality of their services;
- we are committed to upholding and extending professional standards of integrity and ethics;
- we protect the interests of research clients and respondents by ensuring consent, transparency and the protection of confidentiality;
- we develop thorough understanding of any market we target;
- we promote equality and diversity through our employment and professional practices;
- we believe in the power of new technology to facilitate innovation and deliver value to our clients;



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- we believe in fairness at work and in the fundamental principles of teamworking and personal development;
- we build the capacity of all owners to contribute to business planning and development;
- we believe in monitoring the environmental impact of our business and in reducing this wherever practical;
- we pursue high and consistent quality in all our services to internal and external customers;
- we are open, honest and professional in all dealings with customers and with each other; and
- we use professional project and business management techniques to keep our promises to customers.



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Appendix 2: Internal Team Principles

- **Mutual respect**
 - ✓ We respect each other and value different opinions, backgrounds.
 - ✓ We take into account the effect that our actions have on colleagues trying to carry out their functions.
- **Honesty and Openness**
 - ✓ We believe that honesty and openness with each other are important and issues must be talked about and not left to fester.
- **Professionalism**
 - ✓ We believe that it is important to portray a professional image to both colleagues and external clients.
- **Excellence**
 - ✓ We believe that we should work hard with good humour and enthusiasm to achieve business objectives.
 - ✓ We have a no blame culture and we learn from our mistakes.
 - ✓ Our own personal values demand work to an extremely high standard.
 - ✓ We apply the same high standards to work delivered to colleagues as work delivered to external clients.
- **Teamwork**
 - ✓ We all muck in, and help where needed.
 - ✓ Everyone has a valid input into discussions no matter what position they hold within the Company.
 - ✓ We support colleagues when family problems arise.
 - ✓ Staff are encouraged to ask for clarification or help if information is not understood or they are not sure what to do.
- **Shared Purpose**
 - ✓ Everyone has a shared stake in the company through individual contributions in meetings and Business Review Days.
 - ✓ Everyone shares in the rewards of Company Success.



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Appendix 3: Agenda from a Recent Business Review Day

Changing Times

- 08.45** **Arrival and coffee or tea**
- 09.00** **Welcome, housekeeping arrangements and programme overview (Liz)**
- 09.05** **Making the RCU Business Plan 2010-2013 work in the context of current market trends (Gordon and Stratcon)**
- 10.45** **Refreshments/comfort break**
- 11.00** **Employee Ownership and what it means to be an Owner - Mark Ward, John Lewis Partnership**
- 11.45** **Employee Ownership discussion**
- 12.00** **Group work around refreshing RCU Values**
- 13.00** **Lunch**
- 13.45** **ISO 27001 - Formal training for all staff in Information Security followed by a group working session to prepare for the Accreditation Visit on 20th and 21st July**
- 15.30** **Refreshments/comfort break**
- 15.45** **RCU and Green Thinking—group working session led by the RCU Environmental Working Group**
- 16.45** **Summary of agreed actions from the day**
- 17.00** **Close of Summer Business Review Day**



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Appendix 4: Guidelines for Staff During a Recent Election of a Shareholder-Nominated Director

Chairman's Notes on the Selection Process for Shareholder-nominated Directors and on the Powers of Shareholders

Reminder of the Powers of Shareholders and the Balance of Power Between Shareholders and the Board

"A" Shares

Holders of "A" shares don't hold a stake in the value of RCU but do have a vote on issues that require shareholders' approval e.g.

- Appointment and removal of directors
- Appointment of auditors
- Approval (with a 75% majority) or rejection of an offer to buy the company.

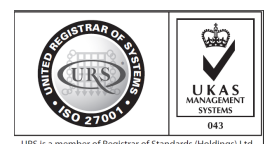
Any shareholder can also be a Director, but other than in very small companies, it would be a very unwieldy and inefficient way to manage the company if everyone doubled-up. So, for a company of RCU's size shareholders delegate the direction and management of the company to a Board of Directors.

Having appointed the Board of Directors, shareholders would normally leave the Directors to get on with managing RCU without any constraints. Alternatively, sometimes shareholders limit the powers of directors so that e.g. any contract to buy or lease an asset over £x,xxx requires prior approval by shareholders. Shareholders also sometimes require the directors to provide management accounts regularly so they are kept informed on the company's performance. This restrictive approach tends to be used where shareholders are remote from the board or are uncomfortable giving unlimited power to directors. At RCU, I would certainly advise that such constraints are unnecessary as long as the current ethos of RCU, with widespread openness, inclusion and consultation is maintained, with staff free to attend Board meetings and to get access to all the papers.

"B" Shares

In our initial set-up there is no difference in terms of people between the "A" shareholders and the B shareholders but this will change over time. Holders of "B" shares do hold a stake in the value of RCU but don't have a vote like the "A" shareholders. The one exception is that if the "A" shareholders were trying to change the rights of "B" shareholders, then such a proposal would require the agreement of the "B" shareholders. This protects their interests.

So the "B" shareholders don't have a role other than to retain their share and if the company is ever sold or wound-up, then they will receive their share of the proceeds.



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Board of Directors

“A” shareholders, collectively control the company, they have the right to appoint and remove all Directors should they so choose. Given this fact it makes good sense for the business model that some Directors should be directly nominated by “A” shareholders through a democratic process.

RCU’s constitution (the Articles) says the Board shall have a minimum of 5 Directors (so that too much power is not placed in the hands of too few people) and a maximum of 9 Directors (so that it does not become too unwieldy to take decisions). The Board must include:

- the Managing Director – it is inconceivable for any company to operate effectively without the MD being on the Board; and
- a minimum of 2 Non-Executive directors – their role is to provide totally independent, and therefore objective, input into the Board’s discussions and decisions and they should also bring knowledge and expertise on business management and direction that is relevant to RCU.

The remaining Director posts, between 2 and 6 in number, can be any combination of Executives (meaning RCU employees) or Non-Executives that the shareholders wish to appoint.

The aim is to provide the Board with a mix of independent non-executive and executive directors with a range of skills and knowledge to tackle the issues that it needs to deal with. We would expect the composition to change over time to reflect the company’s needs, for example we may want to co-opt someone with experience of a particular sector we are targeting.

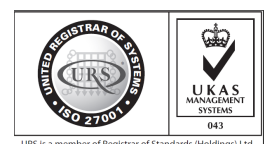
RCU must also have a Company Secretary who can also be a director but need not be one. The Company Secretary is legally responsible for notifications to Companies House and for maintaining records of Board decisions.

For a Board meeting to be quorate, there must be at least 50% of Directors present (in person or via a video link or similar) of whom one must be a Non-Executive Director.

Executive Directors

Last year, three Executive Directors were appointed following a democratic election process. These new Directors were given terms of appointed ranging through 1 (Graham Whalley), 2 (Gareth Wilson), and 3 (Phil Lucas) years.

The first of these Executive Director positions will therefore become vacant in June 2010 and this will require an election process for a replacement. What is proposed is that the election process should be in place by the time of the Annual General Meeting (AGM) in April and that the outcome will be ratified by a General Meeting in May.



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When we established the rotation process for Executive Directors we asked retiring directors not to put themselves up for re-election for at least a year to ensure that a range of staff can get experience of Board membership.

Considerations for Potential Applicants

The role of the Board is to:

- establish RCU's vision, mission and values/ethics;
- decide the strategy, structure and operating policies;
- delegate authority to management and monitor performance; and
- be accountable to shareholders.

In understanding why these are the roles of the Board you may find it useful to look at page 6 of "The Effective Director" which sets out an example of the sort of issues which a Board would typically reserve for itself, in other words which should not be delegated to the MD or any other group within the company.

RCU's values/ethics have already been set down in writing in previous Business Plans and the Board Standing Orders and are summarised below:

The key purpose of RCU is to further the long-term interests of its staff. This will be achieved through a clear mission and a set of strong core values that will make the RCU distinctive in its field.

The mission of RCU is to develop practical and relevant research and consultancy solutions for clients through innovation, professionalism and market expertise.

We pursue this mission against the context of core values drawn up and reviewed by staff:

- *Belief in the power of robust and professional market research to enhance social development and the quality of services to clients.*
- *The upholding and extension of professional standards of integrity and ethics.*
- *The protection of the interests of research clients and respondents by ensuring consent, transparency and the protection of confidentiality.*
- *The development of detailed background knowledge of all targeted markets.*
- *The promotion of equal opportunities through employment and professional practices.*
- *Application of the power of new technology to facilitate innovation.*
- *Belief in the fundamental principles of teamworking and personal development.*
- *Building the capacity of all staff to contribute to business planning and development.*
- *The pursuit of high and consistent quality in all products and services.*
- *Openness, honesty and professionalism in all dealings with customers.*
- *The use of professional project management techniques to meet promises to customers.*



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These are subject to review and updating on a regular basis.

In this last year we have introduced new Standing Orders by which the Board now operates and which will ensure that the openness, inclusion and consultation previously enjoyed by all staff are maintained.

RCU Directors

The general duties of a director are set out on page 25 of “The Effective Director” but in essence they are to:

- act in the best interests of RCU for the benefit of its shareholders;
- exercise independent judgement and not be swayed by any personal interest in any discussion or decision;
- exercise reasonable care, skill and diligence; and
- maintain proper accounts/records and abide by the law and relevant regulations.

To have an opinion on an issue being considered by the Board but not express it is, in my view, a sin because the director is not acting in the best interests of RCU. Not having an opinion because of lack of knowledge or experience is not a sin, provided the director tries to rectify their lack of knowledge or experience.

On exercising independent judgement, a director must declare any ‘conflicts of interests’ that may arise and be prepared to support a decision that is in RCU’s best interests but may be to their own disadvantage or that of his/her colleagues. A current example, though not relevant to RCU, is directors (including employee directors) in companies hit by the recession having to decide to cut their workforce or impose short-time working, which may be essential for the company’s survival but painful for employees, including staff directors.

The third duty is just to exercise reasonable care. The director is not expected to be an expert in law, tax or any other aspect of business direction and management but is expected to act reasonably. One of the most characteristics of a good Board is that they know when to seek professional advice if a decision requires expertise they don’t have.

Under the fourth duty, much of the work of keeping within the law and relevant regulations is handled by the Company Secretary, auditors, legal advisors, etc but the ultimate responsibility rests with the Board of Directors. RCU does provide directors’ and officers’ liability insurance. This protects directors and officers from personal liability where they have acted correctly but it does not cover any fine imposed by a criminal court where they have acted negligently e.g. if directors of a company were found to have ignored health and safety legislation or continued trading when they knew they were going bust.

In addition to the general duties set out above, a requirement for all RCU Directors appointed will be to uphold the company’s values/ethics and adhere to the Board’s Standing Orders.

It should be clear from the above that any directors elected by the “A” shareholders will not be “representing” or “speaking on behalf of” either the members of staff who voted for them or even staff as a whole. They will have been chosen by the “A” shareholders, but once on the Board they will have the same legal and moral responsibility as any other director to act only in the interests of the company based on their judgement of the issues put before them. At times this may well mean acting against their own short-term interest in order to help the long-term success of the company.



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For RCU staff considering whether or not to put themselves forward for election to the Board, the duties of a director, particularly if they have little or no previous experience, may seem daunting. However the presence of directors nominated by staff strengthens the Board and its ability to act in the best interests of shareholders and, for each such director appointed, the experience should be both valuable in terms of skills development and enjoyable. Accordingly we will put a package of support together tailored to the needs of each new director which may include:

- training on the role and duties of a director and a Board;
- mentoring by one of the Non-Executive Directors; and
- regular reviews, perhaps 6 monthly, of performance as a director (as distinct from performance as an employee which is for management to carry out) by the Chair or a Non-Executive Director.

I hope that this will encourage staff to accept the challenge and put their names forward for election. We also hope that a large number of staff will serve as directors over time. If you stand but are not selected first time around you should not be put off by this. One of the real strengths of RCU is that we have an outstanding team of staff who all contribute to decisions and the selection process will not be easy.

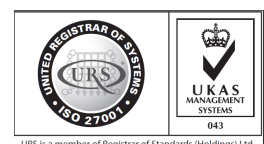
Please note that Executive Directors (staff members) are not paid any extra for serving on the Board.

Election of Directors Nominated by Staff

Our legal constitution says that directors can only be appointed or removed with the approval of "A" shareholders with a 75% majority needed. That doesn't mean we have to physically hold a meeting, but after the election process we will need a further secret ballot in which at least 75% of the A Shareholders entitled to vote must approve the appointment of the proposed candidate. If support falls short of that level the post will remain vacant until the next election.

The constitution also says that no-one can be appointed unless they are recommended by the directors, which is standard practice.

We propose first to give all staff, not just current "A" shareholders, a vote in a ballot to choose the new nominee director, who subject to the Board's agreement, will be formally appointed by a resolution passed by the "A" Shareholders.



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The process by which the replacement nominee director is chosen by staff is set out below.

1. Although the directors chosen by staff do not have to be RCU employees, we are expecting that that will be the case for the first few years at least.
2. Anyone wishing to put their name forward (a nominee) needs to get the support of an "A" shareholder (the proposer) and write a brief statement saying why they would like to be a director and what strengths they would bring to the Board. The nomination papers are attached to these notes.
3. A proposer can propose one nominee as there is only one vacancy on this occasion.
4. The name of the person seeking election and the person that nominated them will appear on the ballot paper.
5. Staff will make their choices in a secret ballot, by putting the candidates in order of their preference. There is no advantage for your favoured candidate in not ranking every candidate; it would merely risk your vote not being fully counted.
6. As with previous practice, the Non-Executive Directors and Gordon will not be nominating anyone, but Gordon will be entitled to vote.
7. The count will be operated under the single transferable vote system. This is a somewhat complex but very fair system – and is the system used last year for the election of the initial 3 nominee directors
8. The first person to pass the target in the ballot will be nominated to be a director for a 3 year term.
9. The principle has already been established that anyone completing a period of service on the Board will not offer themselves for re-election for at least one year.
10. We will announce the result shortly after the end of the voting process in May. The announcement will not mention the actual votes received by the successful candidate, but rather will simply that they were elected. Any other candidates will simply be announced as being "not elected."
11. A further secret ballot of all shareholders will then take place to confirm the appointment.

Timetable

The timetable is as follows:

- Nominations open 9.00 on 13 April and close at 5.00pm on 23 April. Papers should be placed in Gordon's post folder in a sealed envelope marked Board Nomination. None will be opened until the nomination period closes. If for any reason you are not available to make a nomination at any point during that period but wish to please tell Gordon as soon as possible.
- Nominations close at 5.00 on 23 April.
- Ballot papers will be distributed by 9.00am on Tuesday 4 May and the ballot box (which will be in the third booth) will be sealed at 5.00pm on 7 May. If for any reason you are not available to vote at any point during that period please tell Gordon as soon as possible.
- I will count the votes with Gordon's technical assistance first thing on 10 May and the results will be announced that morning.
- The Board will be asked to approve the nomination remotely and the "A" Shareholders will be asked to vote in a secret ballot to say if they approve of the three appointments (75% approval required).
- The newly appointed Director will then be eligible to attend their first Board Meeting in June and will have around a month in which initial induction and mentoring can take place.

Graham Aitken
Chairman

12 April 2010



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Appendix 5: Advertisement for a New Member of Staff and Selection Day Arrangements



Could you be a leading light in the sector's leading research and consultancy company?

Typical annual remuneration c£64k including all-employee profit-share + 8% pension contribution + healthcare + staff benefit entitlements + shareholding + job satisfaction

RCU needs a **Strategic Consultant** to join our highly respected team of researchers and consultants. We're a small but very influential education research specialist with clients across the UK, including central government, national agencies, local authorities, colleges and other providers. RCU and the post are based in Preston.

You would bring ...

- Experience at a senior level in an organisation in, or supporting, the learning and skills sector.
- Energy, commitment and a real feel for the key issues facing the sector. You may or may not have research/consultancy experience (we'll train you in that).
- High level oral and written communication skills and confidence in front of audiences from one to one thousand.
- Talents in writing tenders for, managing and delivering complex projects.
- High level analytical skills and the ability to review evidence in a policy context.

We can offer ...

- An attractive remuneration package of salary, profit-share and additional benefits.
- Joint ownership of RCU as a shareholder (a right for all staff).
- Membership of an innovative team of staff delivering research and consultancy.
- The chance to influence national learning and skills policy through research and consultancy work that's at the very centre of the policy agenda in the sector.
- Work that is challenging, high-pressured and supported by exacting quality standards, but is also extremely rewarding and exciting for the right candidate.

Interested?

To discuss the role, call the RCU Director Gordon Aitken on 01772 885999. Please download an application pack from www.rcu.co.uk, or e-mail lbreckell@rcu.co.uk. Closing date: 5.00pm Monday 22nd March 2010. The job is available now but we'll wait for the right candidate.



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Arrangements for the Interviews on Wednesday and Thursday (9.00 start both days).

Arrival : **Stacy** greets the candidates, signs them in and then takes them to the kitchen area to meet the company insight group. Hold in the small meetings room if they are early as, other than the first candidate, the previous candidate may be on a break.

Company insight: Phil, Anne and Graham. This is an informal session in which candidates can ask about the company and the way we do things. However we will ask for feedback from the group on the extent to which their questions indicated they had read and understood the background papers.

Task: Rick. One of the company insight group introduces the candidate to Rick who settles them at the relevant computer and gives a brief explanation of the task (Gareth and Richard to advise Rick on what he can or can't say. Rick notes the start time and after exactly 45 minutes asks the candidate to save the task in their own name on the desktop. Once the candidate has moved on Rick saves the file to the project folder (10.036/Key Project Materials/Interview Tasks) and prints three copies for the assessment scoring group.

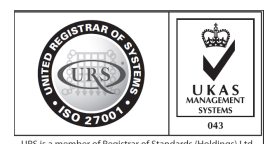
Task Assessment Group: Rick, Phil and Peter. Group marks the tests while the candidate is in their final interview.

Presentation: Gordon, Liz, Richard, Gareth, Mo, Dave, Anne, Colette, Graham, Phil and Peter (plus the non-execs and anyone else who wants to add themselves to the list).

Formal interview : **Gordon, Liz, Richard, Gareth and the non-execs.**

Scoring: The Company insight, task and presentation will be scored by all those involved. **Mo** is designing an online scoring mechanism for this.

Pre-decision discussion: The panel making the final decision will hear feedback from all other elements of the process before making that decision.



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