

## GETTING HR EXPERTISE INTO THE BOARDROOM

Statistics show that there are relatively few people with an HR background serving on organisation's governing boards.

At the same time, Creelman Lambert in the report *The Board and HR* identify a parallel shortage of in-depth knowledge and experience of people-relevant qualities that any responsible board should possess – organisational design, change management, behavioural psychology, culture development etc – and which should be part of any top HR leader's toolbox

This note explores the obstacles and possibilities surrounding the issue of ensuring HR capability within boards.

### HR representation on the board

There has long been debate – at least within HR circles – about whether HR directors should be board members in their organisations. This is regarded by some as a litmus test of respect, of being comparable to finance directors or business heads.

However, having consulted widely, we see this as a 'red herring', confusing several issues.

- Once a board director, your role changes. Apart from having less time for your 'day job', you are now performing a different function – provided we are talking about a genuine governance board. Where HR directors do become board members, they often have to appoint a new head of HR.
- The executive committee is where business heads and functional directors such as an HRD/CHRO should operate as equals, overseen by a supervisory board. (Some confuse the situation by applying the term 'board' to groups of largely operational directors. We WOULD argue that HR should generally be represented on operational boards.)
- Supervisory board members should always have unfettered access to head of functions, and expect to obtain the unvarnished truth where necessary. Likewise, an HR leader should be able to confide in a chairman or senior independent director for the greater organisational good.

Thus we argue that placing an HR executive director on a supervisory board is really more about recognising an individual as being able to contribute as a board director, and possibly progress further beyond a functional role – which is exactly what has happened in a number of cases.

### Non-executive directorships

A more worthwhile discussion is why there are very few non-executive directors with an HR background.

Relatively few HR leaders have been appointed to non-executive positions because they tend to be well down the pecking order in terms of perceived suitability. Past (or present) CEOs are seen as the most desirable recruits, followed by finance experts and then individuals with big contact books. In certain markets, if not all. HR people have historically not been seen as having particularly strong business credentials and strategic focus.

However research by Creelman Lambert has identified a generalised weakness in boards in terms of such critical knowledge bases as organisational development, change management, behavioural psychology and other HR-related disciplines that would aid oversight of human capital and organisational leadership. (See our report *The Board and HR*.)

Furthermore, Creelman Lambert has identified a breed of HR functional heads who should be well able to operate at this level, if they meet the criteria set out in our paper *The board-capable HR leader*. That paper also indicates some of the steps HR people need to take if they are to develop into non-executive director candidates.

## **Developing non-executive directors' HR capabilities**

Another way of 'getting HR into the boardroom' is to help develop the knowledge of existing non-executive directors. *The Board and HR* discusses the issues concerning recruitment and development of board directors. Governance requirements now demand more rigour (without using the term 'HR').

Historically, many board directors would seem themselves as too grand and life-experienced to require active 'development'. However the poor performance of some boards in managing challenges such as succession, reward and performance, risk cultures and other people issues demonstrates how illusory this belief is. In a complex, shifting environment, the board and management team that does not prioritise learning is a risk to the organisation, and is also setting a poor example.

Note also there have been occasional instances when selection of directors with poor management style issues has become a public relations issue (and the appointment cancelled).

We see it as part of the board-capable HR leader's job to work with a CEO and chairman in devising development programmes to address both individual and team needs, while taking account of the time-pressures that board directors face. We regard this as a core element in meeting the increased expectations of what good governance should look like.

Delegating oversight of HR to compensation and nominations committees can assist depth of focus, but it is every board director's responsibility to understand the risks they must assess and the decisions they must take.

- On the one hand it is perhaps unreasonable to expect most non-execs to acquire the depth of knowledge that a seasoned HR professional should accumulate, and there are dangers in acquiring just a little knowledge and then assuming one knows it all.
- At the same time, as with any professional discipline, it is also important not to become over-reliant on one expert's view. Today's business issues are multi-disciplinary, and within disciplines there are grey areas and choices.

## **Conclusion**

We conclude that the experience and knowledge of top-notch HR leaders is exactly what many boards need to help them be more future focused, to be able to deal effectively with the many behavioural challenges and other people risks that oversight of complex organisations present, and to meet heightened expectations of them personally as exemplars of good governance.

However there should also be a carefully considered development programme whereby non-executive directors can enhance their appreciation of HR and OD disciplines.

At the same time, company analysts and professional shareholders need to appreciate in greater depth the qualities that a 'good' board needs to possess, and to probe for relevant indicators.

For their part, the HR community needs to focus hard on improving its own reputation by taking its own talent pipeline seriously, and specifically generating a rich seam of 'board-capable' HR leaders.

## **Some questions to consider**

1. Do you agree (or not) that HR does not need to be represented on the 'top-co' legal board to have influence and respect?
2. Do you feel that board decisions and oversight of the executive is enhanced if non-executive board directors are knowledgeable about
  - team leadership?
  - organisational development and design?
  - behavioural psychology?
  - managing change?
  - any other HR disciplines that underpin board decisions about issues such as selection, succession, reward, strategy, M&As, redundancies, ethics codes etc?
3. Do you agree nonetheless that it is important to ensure that appreciation and understanding of HR issues is important when selecting board directors?
4. How practicable is it to develop knowledge and capability among board members in order to achieve insightful and robust oversight of people issues?
5. Is it helpful to have professional HR experts as non-executive directors? Are there any caveats?
6. To what extent do you feel it is desirable or practicable for analysts and professional investors to understand and appreciate the people aspects of organisations? Can HR help?