

## **Consultation paper**

*We are making this available publicly for comment and contributions. Feel free to offer answers to the questions at the end. Please send any comments to [andrew@creelmanlambert.com](mailto:andrew@creelmanlambert.com)*

## **THE BOARD-CAPABLE HR LEADER**

The recent report by Creelman Lambert entitled “The Board and HR” has found that in well-managed organisations, the Group HR Director or CHRO increasingly plays a prominent role in both top executive team and board processes. This note articulates what is required to be ‘board capable’.

### **Operating at board level**

Here are some examples of what an HR leader may now be doing, going beyond the conventional practices of presenting people strategy proposals, people performance data, and reporting on topics like talent management, industrial relations and employee engagement.

- Ensuring the board understands the people and behavioural issues that permeate most aspects of board business, from strategy to assessment of performance and risk, and all aspects of oversight of executive management
- As a consequence, working with all the board committees – not just compensation/remuneration and nominations committees
- Being the confidant of the both non-executive chairman and CEO, and if necessary acting as an interlocutor between them
- Acting as the ‘conscience’ of the organisation at senior level, and ‘holding up the mirror’ to senior colleagues and the board in terms of any behavioural issues, where role modelling is inadequate.
- Expert adviser to the Chairman on team (board) management and development, coaching, performance review etc.
- Playing a key role in board appointments, from selection criteria to assessments and recruitment processes

The HR leader would be expected to be the expert adviser to the board in general on

- the people aspects of all business initiatives, strategy, change, organisational design
- the people ingredients of risk
- remuneration, succession management, ethical conduct, employer reputation, culture
- the people aspects of governance (working with the Company Secretary as appropriate).

Significant expertise and knowledge of professional advisers would be expected, even if the board is entitled to appoint and work with advisers independently of those used by executive management.

HR leaders need also to address how they work with other functions contributing to governance – company secretaries, Finance, Audit, Legal etc. How well developed is their understanding of people, and behaviour? Do they just focus on compliance, or are they partners with HR in developing culture?

## **Personal capabilities and qualities**

### *Be a business person*

A 'board-capable' HR director must be as much a businessman or businesswoman as a functional expert. Commercial 'nous' and judgement, and the ability to interpret and debate operational and financial numbers are essential to be on level terms with other members of the 'C-suite'. He or she should be respected as a general contributor to strategic decisions, and NOT just on people aspects.

### *'Know your stuff'*

At the same time, an HR leader needs to deploy professional expertise to be able to steer and develop his/her function, and to bring deep functional knowledge into top team and board discussions.

In particular, proficiency in organisational development, design, performance and psychology are essential knowledge-bases to ensure strategy and change initiatives are thought-through from a human perspective. Also, governance and risk management should now be core areas of expertise for a board-level HRD.

### *Command respect*

These are some of the personal qualities necessary to operate at this level.

- Courage to stand up for what is right, and to withstand pressures from powerful personalities
- Tact and gravitas to assist in delivering tough messages in an appealing and respect-commanding way
- Trustworthiness and discretion – the key players must know the HR leader can be confided in
- Integrity – at the same time, all stakeholders must know that the HR leader is a role model for ethical behaviour
- Resilience – to deal with tensions and conflicts of interest; to be able to take tough decisions; and to do painful things in the ultimate interest of the organisation and its multiple stakeholders
- Coaching ability – being able to coach both HR talent and senior executives, and even company chairmen; and knowing enough about coaching to bring in skilled third parties when appropriate.

### *Be a leader*

Also essential to win respect is the ability to shape, grow and supervise an HR function that delivers, and preferably 'delights' its customers. This includes caring for and nurturing HR team members in their careers, having attracted real talent to join in the first place. HR leaders must always be communicators – including the ability to shape and articulate vision, to influence without bullying, to engender trust, and be oriented to listen and learn (since real 'communication' is 2-way).

### *'Get around'*

Finally, there is breadth of experience. HR leaders should ideally have worked in diverse contexts – cultures, industries, business challenges and professional challenges. A spell in an operational role away from HR is helpful to win respect. Thence an HR leader should bring to the party a wide perspective and life-knowledge, ability to think outside the box and to challenge closed thinking.

## **Developing board-capable HR leaders**

In the course of our research work it has been striking how consistently we find

- concern within HR circles about the sufficiency of talent to meet the increasingly demanding role requirements of a 'board-capable' HR leader
- scepticism among non-HR executives about the business 'nous', capability and character of their HR colleagues.

The challenge therefore is for HR leaders to take the necessary steps to grow successors who can really 'cut the mustard' at the top level.

In addition CEOs and boards should know enough about talent management to ensure that such developmental steps are being taken within any functional discipline, and should naturally demand effective succession planning within HR (since their HR leader should be the expert in this subject).

As with any succession decision, there are arguments for and against bringing in external appointees at senior level – and getting this right can have a stimulating or negative effect lasting many years. However in general, there are strong reasons to support investment in internal talent, developing people who are both understand context and yet can challenge robustly.

Note that moving into the Group HR director or CHRO role in a major public company can be perceived as quite a step for those operating a level below. Those aspiring to do so need to push to obtain as much relevant experience as possible, so that they can build confidence among recruiters that they have what it takes.

## **Board involvement beyond HR**

For those aspiring to move beyond an HR director role, options include CEO and COO roles as well as non-executive positions. Building the capability to do so should start much earlier in a career.

### *CEO/COO*

Relatively few HR professionals move into general management posts. Indeed it is not easy to do so within an organisation you are already working for if you are playing the role of confidant and facilitator to the top team – no one will confide in you if they think you are after their job. However some have successfully headed up business subsidiaries and gone on to lead other organisations.

To do this, clearly it is necessary to demonstrate the necessary leadership skills, business and financial knowledge, operational management qualities, and orientation to innovation. Demonstrating expertise in designing and managing change, and in shaping cultures, are certainly helpful in demonstrating HR executives' fitness to progress to top general management roles.

### *Non-Executive directorships*

Our research identifies both a shortage of HR knowledge on boards and of people with professional HR experience, eg former HR directors. See the Creelman Lambert paper on *Getting HR expertise into the boardroom* for more on this topic.

Non-executive directors should have both wide business experience and the ability to add value to strategic discussions without necessarily knowing an organisation in intricate detail.

Working in HR provides plenty of opportunities to obtain a 'helicopter view' of an organisation, to build experience of managing ambiguity, and of challenging situations and behaviours. Some of the consulting skills that an effective OD or HR leader should possess can be very valuable for non-executive roles.

Aspirants to non-executive directorships should therefore build an impressive portfolio of skills and experiences. Becoming recognised first as a 'board-capable' HR leader is clearly a stepping stone.

## **Some questions to consider**

*These are areas for debate raised in our research. Drawing on your experience, what answers would you give?*

1. Are there board-related activities areas (in the list above) that you have not got involved in yourself? If so, why not, and are there any problematic consequences?
2. Do CEOs know what a really good HR leader looks like? If not, what do you do about it?
3. How effective are Boards in ensuring the high quality 'head of function' appointments, and do they know what a really good HR leader looks like?
4. If a non-professional HR leader gets appointed, why? How has the appointment been beneficial, or not? How well has a non-professional tackled the need to provide deep subject knowledge and experience? What lessons should be learnt?
5. What are the most important systemic changes to make in order to generate board-capable HR talent? Who should make these changes?
6. What do you find to be the most useful development steps to take to become 'board-capable'?
7. How easy, or difficult, has it been (for people in HR) to acquire experience in both HR and non-HR business roles? What difference does having this experience make?
8. Do you agree (or not) that deeper HR expertise is needed on boards? What would help most to achieve this?
9. What helps and hinders most in enabling HR talent to acquire experience serving on boards?
10. For HR leaders to serve effectively, how important is it for there to be robust oversight of 'the executive' by a board? To achieve this, how essential is to have a non-executive chairman, including one that is skilled in 'people managing' both a board and a CEO?
11. What do you feel defines a successful relationship between an HR leader and a senior independent director?
12. Is there a need for regulatory guidance to define and safeguard the relationship between an HR director and a board? If so, what are its key elements?

Do let us know if there are other questions or issues so you feel should be considered, having read this paper.