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HUMAN RESOURCES

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Executives will agree that managing the human capital of any company is critical to the delivery of its business vision and strategy. Most executives will also “get it” that human capital has the potential to turn a challenge into an opportunity and resurrect a failing business. Yet, weak human resources (HR) actions and a failing HR strategy are the number one reason which directly or indirectly impacts the downfall of every company that we know of in history. Where are executives going wrong, and what can boards do differently? I suggest we take a slightly different approach in answering this question.

To begin with, I invite you to take a step back with me as I review the evolution of HR over the past 50 years and share emerging trends. By doing so, not only will we offer a context to why questions need to change at board level but also begin to unpack why executive teams and boards belonging to different age generations are in conflict. Armed with this understanding, board members can better guide, challenge, support, and empower this function and strengthen their contributions and the overall HR mandate.

The rise of human resources

The HR function in organisations was born at the time of the Industrial Revolution and in the 1970s and 1980s it was popularly known as personnel management. The personnel management role was to induct new people who joined, manage their work rota, disburse salaries, help employees and engage with worker unions. In fact, the term “personnel management” arose from the military. The personnel management department helped the organisation function more efficiently by managing a resource that needed direction. There was no real need to retain them – most people joined a company and retired from the same one. Promotions were linked with tenure and so was compensation.

Board papers and reports included new union demands, manpower numbers, tenure awards, ISO 9000 and Sigma certifications, statutory reporting, and salary percentage increases versus budgets. Boards rarely asked questions on HR matters unless it was something extraordinary, and when they were asked, these were discussed with the CEO or finance director.

By the end of the 1990s, this function was being renamed HR. With the changing dynamics of a global economy, a mobile talent workforce and the technology sector beginning to raise its head, we recognised that employees had a choice of where they worked and with whom. With choice came the inevitable need for companies to attract the best and then ensure they were being “retained.” The HR function responded with creative solutions such as targeted talent acquisition strategies (often called headhunting with sign-up fees), culture-vision-values programmes, leadership development through global secondments, employee trainings beyond processes and functional expertise, ESOP-like¹ compensation schemes with exciting incentives, and career/succession planning programmes. Companies and HR teams were responding to a “resource” which was becoming more demanding and key emerging skills as scarce.

Questions asked by boards were on themes including: How do we attract the best talent from around the world (especially in key positions)? How are we aligning leaders to deliver the organisation’s vision and enhance stakeholder value? Which best practices can we implement that encourage

1 ESOP, Employee Stock Ownership Plan

employee engagement and retention whilst enhancing the organisation's ranking on "Best Places to Work" surveys? These questions were often answered by the CEO and sometimes the HR director. With the changing times, the stance of the board was also seen to change.

The 2000s radically shifted the role of HR, and by the 2010s it was demanding its place at the decision-making table. Fuelled by the war of talent across geographies, exponential growth of disruptive companies entering the market, global recession and Generation X entering the workspace, the time had come to upskill and empower this function. The mandate was becoming complex, and what was becoming essential basics was best-in-class talent attraction, engagement, and retention solutions. What made companies stand out were their ability to offer global mobility and high-powered roles to emerging talent, radical incentives, intelligent HR analytics, and delivery of a robust employee value proposition (EVP). It was a time to treat employees as an equal. They were in the driver's seat of their personal growth, career journey, and job choices, and the technology era was signalling massive disruptions.

Questions asked by boards pushed HR functions to be more strategic – How can we think globally, act locally through the deployment of HR strategies? Which analytics will help us identify levers that will help us win not just the talent war but also become future proof? what is our unique EVP and what do our people think of it? How do we develop leaders to define/lead an unknown future? What more can HR tell us about workplace and workforce design as we get ready to embrace the future workplace? These questions were often answered by an HR champion on the board or, the HR leader. HR was now occupying a "seat" at the top table.

Looking forward

As we power into what is being acknowledged as the unpredictable 2020s, HR as a concept and function is in a state of flux and is expected to change in more ways than one. It is expected that out of the three quadrants of who is responsible for HR, how are HR strategies deployed, and what are the outcomes, two will change. This will determine the questions board members ask and the answers they receive.

The quadrant that will remain the same is "the what" or outcomes. The HR function and mandate remain to ensure that the talent acquisition,

development, engagement, and retention strategy helps deliver short-term goals and long-term growth whilst maximising stakeholder value. The “how we meet these outcomes” changes dramatically because of the other two quadrants that will change, that is, who is responsible for HR and how strategies are being deployed. Traditional responses would point to the HR function being responsible; however, with the evolution that we have seen in the past few decades, and as we look forward into the future, we expect to see radical shifts.

HR outcomes will require the collective ownership and response of HR practitioners, non-HR business executives or department heads, and employees, whether these stakeholders are currently employed by your company or are past alumni or are future potential recruits. This is a triple matrix where not just the stakeholders widen but also the time lapse of when they engage with the organisation expands. Let us take one example of talent acquisition to explain this triple matrix.

How will employees deliver on talent acquisition? Envision a scenario where potential employees will engage with your company at apprenticeship or higher education level, making a choice if you are the company they will choose to work with. Envision newly hired employees who act as magnets, pulling excellent talent from previous companies and networks with them. Envision current employees visible on social media and at public events who directly or indirectly “recruit” and attract potential talent. Envision employees who have exited your organisation and with whom your organisation has created bonds through extended community projects; whose exit terms have been so well managed and forward looking that they act as strong alumni ambassadors and/or “comeback” employees.

Let us stay with talent acquisition and move on to senior leaders: Tesla and Elon Musk. Without wishing to be caught up in the controversy of Musk’s leadership brand, the emerging fact is a CEO’s personal brand might just have more talent-attraction power than the company brand. Envision external thought leaders partnering with your company leaders in sponsored forums, choosing to join your company based on networks that you help create. Envision ex-leaders engaged as strategic mentors to on-board new talent or who are on your alumni talent recommendation panels. Radical, maybe. Possible, yes.

Staying within the remit of talent acquisition, and as you begin to see where we are going with this triple matrix, I invite you to reflect on how

the HR function contributes with these stakeholders. By championing intuitive processes, artificial intelligence-supported data analytics, influencer employee brand stories, talent forum sponsorships, apprenticeship schemes, outreach programmes, alumni schemes, portfolio roles, and other flexible solutions, they begin to create multiple opportunities and infrastructure that empower all stakeholders to be involved in talent acquisition without any compromise on governance. Such an HR function will have the potential to not just maximise human capital but to redefine the business landscape.

With this context in mind, I offer 20 questions boards can ask about human resources. They range from the statutory to open-ended questions. Many of the statutory questions are often asked given the traditional approach of boards – robustness in reviewing these is essential. For the others, the opportunity is to ask questions in a manner and intent which reveal new insights, hidden challenges, and emerging opportunities – which ensures that human capital potential is being maximised with the collective efforts of all stakeholders.

Questions to ask

- Is the board clear on how the HR strategy is supporting the organisation's vision and goals?
- Is the board clear on how the HR strategy is embedding organisational culture, diversity and inclusion initiatives, and transformation programmes?
- Who else is the board listening to on HR matters across the organisation stakeholder map – customers, employees, future talent, competition, broader leadership teams?
- What HR outcomes and metrics are we tracking?
- What talent metrics or HR key performance indicators are included in the goals of business leaders and HR? How are we performing on those and how are they linked to promotion and rewards?
- Is the board sufficiently comfortable with the planning/readiness levels to move to alternative workforce models in response to changing business landscape or disaster scenarios?
- What HR and workplace trends present risks and opportunities to our vision and strategy?

- Can the executive share with the board what is intended for HR analytics and employee feedback?
- What is our employee value proposition (EVP) and how are we delivering on it through policies, processes, practices, and initiatives?
- Does the board know how the EVP drives business strategy?
- How are we measuring and strengthening current leadership capabilities and capacities – C-suite and two or three levels beneath C-suite?
- Can the executives share what strategies we are putting in place now to sustain our leadership talent pipeline?
- What is the retention rate of our high performers based on current and future business needs?
- What is the succession pipeline for hierarchy agnostic key roles within the organisation? What is our stand-by back-up plan for key positions?
- What capabilities must we invest in to drive future growth and how are we investing in these?
- What statutory obligations and legal duties must the board be responsible for, monitor, and review with reference to human resources?
- How is our reward and recognition strategy delivering on our value proposition?
- Does the board have line of sight on executive pay and criteria for disbursement?
- What actions can board members take individually and collectively to deliver the HR mandate?
- How can board capabilities be strengthened? What is the pipeline strategy?