

# **WANTED: A HUMAN RESOURCE ON THE BOARD**



*HR execs make up a surprisingly tiny percentage of all boards. With talent, culture, and compensation issues dominating attention, that may be changing.*



### **The problem:**

*Boards are focusing more on issues around talent and culture, but most boards don't have directors with expertise in either.*

### **Why it matters:**

*Boards are recognizing that without talented people or a healthy corporate culture, even great business strategies can flounder.*

### **The solution:**

*Adding a chief human resources officer to a board gives directors a unique voice to help them guide company management on critical people-related issues.*

By the time Lucien Alziari became a chief human resources officer, he had encountered nearly every type of issue around employees and corporate culture. He had overhauled executive pay plans, developed innovative ways to keep talented employees, and been the consigliere to a host of C-suite executives. His new CHRO role was going to broaden his experience even further, requiring him to create succession plans for the board of directors and the CEO.

His next step, he thought, would be to join a board himself one day, advising a company about all the challenges and opportunities around people. So several years ago, at a different firm than where he is today, he sought out one-on-one chats with each board member to find out what their concerns were and uncover what he should know about being on a board. He wasn't prepared for their responses.





"A couple of them asked me, 'Why are we having this meeting?' and 'Why is this a valuable use of my time?'" says Alziari. Forget being a peer on the board—the directors didn't understand what actual guidance a CHRO could offer other than figuring out the CEO's pay package.

Boards of directors are, in theory, supposed to be able to offer advice and guidance to a CEO on any aspect of an organization.

One can look at any board in the Fortune 1000 and find current or retired experts in finance, strategy, and marketing. That's why boards are typically filled with current or former CEOs. Two decades ago, after major changes in accounting rules, many boards added chief financial officers. These days, thanks to growing challenges and opportunities online, boards are looking for experts in technology and cybersecurity.

But one business function that still doesn't get much representation on boards is human resources. Indeed, of the more than 10,000 directors on the boards of the Fortune 1000, fewer than 3% are either current or former senior human resources executives. Experts say that the absence of

CHROs as directors is curious. Historically, boards haven't entirely understood the CHRO role, and companies of old were often more focused on operations or products instead of the people who ran or created them. These days, though, of course, an overwhelming number of critical business decisions revolve around finding top talent, developing a healthy corporate culture, and other people-related issues.

**"Boards are realizing that talking about strategy without people would be useless."**

"It's a gap that should be addressed," says Dan Kaplan, a senior client partner in Korn Ferry's CHRO practice. "Heads of HR are at the confluence of a lot of issues that help or hurt a company's ability to grow and evolve." Their skill sets, many point out, are not interchangeable.

"Directors with HR expertise bring in the ability to ask questions that others won't think of, especially about culture. In today's environment, that's probably the top issue that boards are focused on," says DJ Schepker, assistant professor of strategic management in the Darla Moore School of Business at the University of South Carolina and research director of the school's Center for Executive Succession.



Historically, the one thing that the top HR executive did that board directors focused on was overseeing the compensation plan for C-suite leaders and the board itself. That role would get a CHRO into the boardroom, albeit briefly. Mike D'Ambrose, who first became a CHRO in the late 1990s, remembers his interactions with the board back then mostly because each experience was so short. "I was just in the compensation committee meeting, not in front of the whole board, and it was just for a portion of that meeting," says D'Ambrose, the current CHRO of the agriculture giant Archer Daniels Midland (ADM).

An HR person as an actual director was rare. In the past, that happened only if there was a major people-related issue at the company—for example, if the CEO was about to leave and the company didn't have a successor in mind. In the minds of many boards, what HR did wasn't critical to the success of the company. HR leaders picked investment options in retirement savings plans, oversaw how employees were hired, and managed the firm's health-insurance program. Sure, these people issues were important, many directors thought, but the business didn't revolve around them. If HR people didn't have business acumen, what good would they be as board directors, whose whole purpose is to advise management on the company's business strategy?

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## The Board Track

How CHROs can make themselves more attractive as board directors:



**ESTABLISH A GOOD REPUTATION  
WITH THE COMPENSATION  
COMMITTEE.**

The compensation committee is often the first exposure a CHRO will have to their board.



**PUT HR UPDATES IN A  
BROADER CONTEXT.**

Using metrics, show how changes in hiring or engagement affect returns on investment.



**EMPHASIZE HOW YOU CAN  
BE A GOOD COACH.**

The best CHROs get the entire C-suite to work well together; they can do the same for a board.



But experts say several trends are starting to change the perception of CHROs. For his part, Schepker cites one key incident: Oscar Munoz had been CEO of United Airlines for just 37 days when on October 15, 2015, he had a major heart attack. It was unknown when, if ever, Munoz would return to the role. The situation made board directors at other organizations recognize that they didn't have comprehensive succession plans of their own, Schepker says. (Munoz had a heart transplant and returned to work in early 2016.) Since boards drive CEO succession plans, having a director with significant HR experience gained more urgency.

Beyond health scares, there has also been the growing realization that there aren't enough women on boards in general. While women still have low representation in most of the C-suite, many of the country's top human resources executives are women. Adding female CHROs to boards not only helps diversify the board but brings an HR expert into the boardroom, says Dennis Carey, a Korn Ferry vice chairman who recruits directors. Relatedly, the #MeToo movement, along with some high-profile instances of harassment, have put a spotlight on how a bad culture can hinder a company's financial performance. Putting a top CHRO on the board can help confront both those issues, Schepker says.

But the biggest trend is the realization that HR executives are doing more than just back-office work. Indeed, the best CHROs have a hand in shaping the firm's business strategy, capital management, and even financial structure, says Mike Feiner, who was head of HR at Pepsi for 20 years. They recognize, he says, that to get the best



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out of a company, the company needs to get the best out of its employees. The top CHROs “are change agents,” he says. “They have a passion for making the world of work as fulfilling as it can be.”

According to both Kaplan and Carey, more directors are acknowledging that the areas HR leaders focus on—culture, finding and retaining top talent, employee engagement, and succession—are integral to a firm’s ability to execute a business strategy. “Boards are realizing that talking about strategy without people would be useless,” says Carey. And as they seek out more information on people issues, adds Kaplan, “it only makes sense to turn to the people whose whole career expertise is getting the most out of people.”

Adds D’Ambrose of ADM, “Business-focused CHROs can bring a unique perspective and set of experiences to the boardroom. I would envision that the number of CHROs on corporate boards will increase appreciably in the next five years.”

Though there is still a ways go, the trend has helped people like Alziari, the CHRO of Prudential Financial, who landed a board seat for the UK-based shoemaker C&J Clark in 2016. The board was looking for an HR leader, “which was unusual,” Alziari admits. His experience certainly seemed to be needed. In the two years that he’s been a director, he’s been involved in the succession of both the CEO and CFO spots, and has been advising the firm on its Brexit-related plans.

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