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**Corporate Boards and HR**

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Many recent articles and books have examined the role of human resources in U.S. corporations and have come to the conclusion that human resources is not performing as it should. It is said to be too much of an administrative unit and not enough of a strategic driver of the business. Recent articles in the *Harvard Business Review* have suggested “blowing it up” and “splitting it.” There is considerable evidence to support this view and a number of reasons for it. However, there is one very important role that human resources performs which is not considered in most of these assessments of human resources: its interface with the corporate board.

As boards face growing pressure to step up their understanding of strategic options, risk management, change management and globalization, it is particularly important that they have good data about the human capital issues that organizations face. This raises two important questions: What kind of advice do they receive about human resource management? What role does the HR function play in providing it?

The role of human resources at the board level has rarely been examined by researchers. When it has been looked at, it has been suggested that it plays a relatively minor role. In order to determine what role it does play, our recent survey asked senior HR executives from 143 large U.S. corporations (average size 38.438 employees) to report on the role that human resources plays in their corporation and boardroom. The survey is part of a longitudinal study of human resources in corporations that has been done every three years starting in 1995. The full results can be found in our recently published book, *Global Trends in Human Resource Management: A Twenty-year Analysis* (2015).

Many of the issues that boards deal with involve talent management, which should clearly be in the domain of an effective HR organization, and are increasingly becoming more important determinants of organizational effectiveness. The extent of help that human resources gives to the board on a variety of HR issues is shown in Table 1. The results present a very mixed picture with

respect to how much help human resources gives in these areas. When it comes to executive compensation, human resources appears to be very active. With respect to other critical issues, such as developing board effectiveness, and perhaps most importantly, the condition and capacities of the workforce, the results are not strong. Similarly, the data on change consulting indicate that human resources does not play a major role with the board here either. Overall, these results are similar to the results from 2004 when this question was first asked in our study.

Perhaps, the best way to describe the situation, with respect to human resources and its board role, is a glass partially, but not quite half full. What is needed in order for human resources to increase its presence? Human resources should show expertise and present data on the critical human capital issues that should affect board decision-making about strategy, executive recruitment, and a host of organizational change and effectiveness issues. If they do this, there is a good chance they will play a major role with boards and create a situation where the chief human resources officer is a regular, instead of a part-time attendee at board meetings. Because of their role with respect to executive compensation, human resources has its foot in the boardroom door but it has the potential to do much more. For this to happen, human resources needs to show that it has the information that boards need when it comes to the increasingly critical issues that they face regarding human capital management, organizational design, and organizational effectiveness.

In order to understand what conditions can lead to human resources playing a major role at the board level in corporations, we correlated how much human resources help boards when asked about their corporation's type of strategic focus.. Table 2 shows there are some significant correlations. Perhaps, the most important ones are with organizations having a knowledge-based strategy and/or an innovation-based strategy. When organizations have these strategic focuses, human resources is much more likely to be a provider of help, particularly when it comes to the

capability of the workforce. This is an encouraging result, but perhaps not a surprising one. These are areas where human resources should be able to provide help to the board and where the board needs its help and guidance.

The results show that change consulting is an area where human resources provide considerable help in innovation focused corporations. Again, this fits well with the logical analysis of what human resources can and should bring to the corporate board because of its understanding of organizations and what makes them effective.

The strongest correlations are in the area of sustainability. When organizations have a sustainability focus, they are particularly likely to get help from human resources. This is encouraging since it suggests that human resources may have an important role in the growing sustainability area. However, other data that we gathered as part of another survey of large corporations suggest that human resources is not a major driver of sustainability programs in most corporations. Overall, the data clearly shows that the ability of human resources to provide support to the board is partially a function of the type of business strategy that an organization has.

Table 3 presents an analysis of the type of help that human resources provides to organizations that have five different management approaches. Not surprisingly, human resources is likely to provide help to the board when a corporation is committed to a highly involved management approach, which has significant correlations to ???. This type of approach depends on high quality human capital and organizing it in a way that best utilizes it. Thus, it's not surprising that human resources expertise would be sought at the board level by those organizations that are committed to this approach.

Overall, the data suggests that human resources does not currently have a strong relationship with boards. But it can have one in the future with organizations that practice management approaches and strategies that are human capital dependent.

With the changing nature of work and organizations, more and more organizations are going to need the advice that human resources can offer. The key question is whether human resources is going to develop the knowledge and people that can work with boards on key strategic issues. There will always be a need for human resources to work on compensation and succession issues, but there will be an increasing need for human resources help in change consulting, developing new business strategies, global organization design and a host of other issues.. The potential exists for human resources to be a significant strategic contributor to organizational effectiveness. It has its proverbial foot in the door because of its role in executive compensations. The next step is for it to become a strategic contributor to the effectiveness of organizations at the board level.

<b>Table 1. Help to Boards</b>						
	<b>2013 Percentages</b>					<b>Mean</b>
	<b>Little or No Extent</b>	<b>Some Extent</b>	<b>Moderate Extent</b>	<b>Great Extent</b>	<b>Very Great Extent</b>	
<b>Human resources extent of help</b>						
<b>Executive compensation</b>	4.0	5.6	5.6	31.0	54.0	4.3
<b>Addressing strategic readiness</b>	12.9	25.8	32.3	24.2	4.8	2.8
<b>Executive succession</b>	4.8	9.5	8.7	37.3	39.7	4.0
<b>Change consulting</b>	18.5	26.6	29.0	20.2	5.6	2.7
<b>Developing board effectiveness/corporate governance</b>	30.9	22.8	26.0	18.7	1.6	2.4
<b>Information about the condition or capability of the workforce</b>	10.7	20.5	33.6	26.2	9.0	3.0
<b>Board compensation</b>	17.6	13.4	18.5	27.7	22.7	3.2
<b>Sustainability</b>	26.2	25.4	30.3	15.6	2.5	2.4



Table 2. Relationship of strategic focuses to board help

HR Extent of Help	Strategic Focuses				
	Growth	Information-Based Strategies	Knowledge-Based Strategies	Sustainability	Innovation
Executive compensation	-.02	.05	.19*	-.01	.21*
Addressing strategic readiness	-.09	.09	.24**	.14	.16 <sup>t</sup>
Executive succession	-.13	.02	.20*	.01	.14
Change consulting	-.10	.12	.20*	.05	.29***
Developing board effectiveness/corporate governance	.05	-.06	.05	.11	.08
Information about the condition/capability of the workforce	-.11	.24**	.28**	.06	.28**
Board compensation	.03	-.09	.02	-.03	-.01
Sustainability	.06	.08	.17 <sup>t</sup>	.40***	.10

Significance level: <sup>t</sup> $p \leq .10$ , \* $p \leq .05$ , \*\* $p \leq .01$ , \*\*\* $p \leq .001$

Table 3. Relationship of management approaches to board help

HR Extent of Help	Management Approaches				
	Bureaucratic	Low-Cost Operator	High Involvement	Global Competitor	Sustainable
Executive compensation	-.16 <sup>t</sup>	-.08	.24**	.18*	.08
Addressing strategic readiness	-.08	-.07	.28**	.00	.12
Executive succession	-.10	-.08	.22*	.10	.15 <sup>t</sup>
Change consulting	-.12	-.25**	.33***	-.04	.06
Developing board effectiveness/corporate governance	-.09	-.04	.14	.02	.08
Information about the condition/capability of the workforce	-.08	-.22*	.25**	-.04	.02
Board compensation	-.12	-.08	.17 <sup>t</sup>	.18 <sup>t</sup>	.16 <sup>t</sup>
Sustainability	-.09	-.05	.25**	.09	.23*

Significance level: <sup>t</sup> $p \leq .10$ , \* $p \leq .05$ , \*\* $p \leq .01$ , \*\*\* $p \leq .001$