

Bringing HR Leaders To The Boardroom Table

Another Step In The Right Direction

Having spent the last 30 years recruiting outside directors for public and private companies, I can vouch that traditional wisdom has always been to recruit currently sitting CEOs (difficult to do, given that most CEOs are limited to one or two outside board positions) or recently retired CEOs, COOs, and division Presidents for board roles. The rationale is that only C-level, truly general managers can successfully govern businesses and evaluate their CEOs. Rarely have HR executives or other C-level functional specialists been hired as outside directors. In fact, according to Equilar, the executive compensation and corporate governance data analysis firm, only 3.7 percent of public board members today are CHROs.

However, when [Tesla added two independent directors to its board last year](#), it included [Kathleen Wilson-Thompson](#), current CHRO of Walgreens Boots Alliance. A step in the right direction, in my opinion. Based on a [McKinsey & Company study](#), companies with more diverse leadership teams [outperform their competition](#). Functional diversity in particular was not mentioned in the study, but in my opinion, it should not be overlooked as a source of transformational board talent.

Companies who do not consider HR leaders for board positions are missing an opportunity. I've discussed this topic with two of my respected colleagues, [Bill Strahan, EVP HR at Comcast Cable](#), and [Darrell Ford, SVP & CHRO at DuPont](#), and their thoughts, as well as mine, are included in the following analysis.

HR Leaders in the Boardroom

Most CEOs will agree that a company's most important asset is the people. The HR executive is responsible for the identification, development, assessment, compensation, retention, and succession planning of this "most valuable asset."

Further, many CEOs believe that the culture of the company is a top priority and differentiator, as well as a strategic lever for performance. A negative culture can destroy a company's value and, as such, culture should be considered a board-level risk. HR executives are uniquely positioned to address culture and serve as the CEO's partner in building, maintaining, and communicating a culture that enables success. If the culture needs to be changed, it is the HR executive who takes ownership of the transformation process.

Similarly, HR executives are intimately familiar with the people side of business. Compensation and succession planning are two of the board's key responsibilities, and the HR executive is usually the point person for both. The HR executive takes the strategic plan and develops a succession plan and compensation strategy that provides for the right leadership to be in



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the right place at the right time – and helps ensure that they are motivated and rewarded for the right behavior and results. They also are responsible for the measurement and performance reviews of the leadership team. This knowledge and expertise is critical for a company to achieve its objectives and for the board to have in order to evaluate the leadership team and choose successors for the most senior roles.

CHROs are also adept at partnering closely with the CEO to help execute the vision for the company by developing a strategic HR plan that makes it possible. They are used to functioning as coach and advisor to their CEO. This perspective can be very useful in an environment of increasing friction between the board and the CEO, caused by the separation of the Chair and CEO roles and activist investors.

Along with the CEO and the CFO, HR executives also work across the entire organization. While other executives have important downstream domains, they do not typically have widespread responsibility across an organization. Every employee is the responsibility of an HR executive, offering a unique perspective on how the organization operates from top to bottom.

Ultimately, as a trusted advisor to the CEO, HR executives have the skillset and EQ required to serve the best interests of a board and a company. Their unique focus on people and the value of diversity will, in my opinion, directly contribute to the boardroom.

I suggest that nominating and governance committees open the aperture to include CHROs, leveraging their expertise in building and maintaining the most important attributes of corporate success. If your company has added a CHRO to its board, or you have a point of view on the topic, I welcome your thoughts. Please feel free to contact me at howard.fischer@hfischer.com.



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Sources:

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