



The Importance of Strong HR Leadership & The HR /Board Relationship

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Introduction

If COVID-19 has taught us anything about business, it has highlighted more than ever the need for strong cash reserves, increased use of local supply chain, agility to pivot, adapt quickly and strong leadership that is effective in a crisis.

Important learns from this pandemic will undoubtedly be made to enable a better future for business, though I feel there is an area of every business that is often unheralded, yet intrinsic to the success of the entire business whether before, during or after COVID

- **Human Resources.**

This crisis has seen HR professionals at all levels across the globe working tirelessly to deal with the many professional, commercial, financial and emotional people challenges, from consulting on and making redundancies, to providing support for staff to ensure well-being and good mental health, through to delivering on-going people development and training needs.

This article is intended to create a wider awareness of just how important the HR function is to the many other functions within a business, who sometimes mainly see HR as 'the people who deal with employee benefits, disciplinaries, redundancies and recruitment'.

I wanted to look at how strong HR Leadership positively impacts a business and why the HR / Board relationship is so important.

The Importance of Strong HR Leadership

So how *does* strong HR leadership impact the success of the wider business? There is an increasingly common belief that businesses who place people and culture at the forefront of their strategy enjoy greater performance.

The phrase 'Our most important asset is our people' is used a lot, but often, the workforce can feel disengaged or unvalued due to a lack of clear direction and great company culture, thus leading to poor productivity, higher attrition and limited business growth. HR plays a crucial role in developing and maintaining the right culture and providing bespoke guidance, support, advice and mentoring on people leadership and strategy for both employees and leadership teams.

HR should be able to hold to account the Board, as well as each function, for displaying, living and breathing the company culture and values, to maximize the impact across the business, both internally and externally.

Transparency, Effective Communication & Employee Engagement *were identified as the TOP 3 Priorities to achieve a great Company Culture, by HRD's recently surveyed by: Authentica Resourcing Ltd*

Bill Gregory, a leading Interim HR Director, made an interesting point, that to achieve a great company culture, it needed to be "Authentic and in line with the organisation's goals, underpinned by a fair process of communication based upon a truthful psychological contract - that is, not one where participants pretend to be something they aren't, and honesty prevails."

HR communicates with all parts of the business, across functions and at all levels, from shop floor to the Board, ensuring cohesion throughout the entire organisation. By understanding the nuances of each function, corporate business objectives, employee capability and aspiration, HR can devise and deploy a people-led strategy that fuses business needs with employee development. Also, any required changes can be more easily implemented, thus creating a win/win scenario for all. This can only be achieved through clear lines of communication.

45% of HRD's surveyed cited **Communication** as THE most effective tool to maximize **Employee Engagement**

Through strategic recruitment, on-boarding, training, appraisal, development and coaching, HR have multiple opportunities to ensure that the company culture and values are identified, nurtured and sustained during the tenure of every employee. Strong HR leadership can be critical when formulating long term strategies such as Employee Engagement, Diversity and Inclusion.

Strong HR Leadership has a major impact on how the organization hire and develop talent, creating a team that will be successful and fit for purpose in both current and future state, whilst also maintaining strict adherence to all applicable statutory and legislative requirements. Thus, HR plays a crucial role in fostering consistently high standards and a sense of one direction to achieve the following for the business:

- ✓ **Alignment of a great Company Culture in all areas of the business**
- ✓ **Inclusion, Diversity & Equality**
- ✓ **Become an Employer of Choice**
- ✓ **Hiring Great People & Retaining Them**
- ✓ **Cost Control through an effective and pragmatic People Strategy**
- ✓ **Drive Innovation**
- ✓ **Grow Market Share**
- ✓ **Improve Profitability**

Jane Adshead-Grant, Executive Coach and a former Director of HR gave me the following insights:

“Of the many things the pandemic has revealed and learning from my senior executive clients, is that we cannot predict much further than 3 months ahead. We can however prepare. Those who hold the role of people and culture or HR can provide a critical role in assisting businesses prepare for what the future of work will look like to best suit its business. We have just been through the biggest global experiment of flexible working.

The people and culture team members have an opportunity to collect data on the impact, value-add and productivity of a new hybrid way of working that generates both personal and organizational / economic growth to reflect agility against the paradox of desired certainty and safety of a sound business model with the uncertainty of our marketplace and environment.”

The Relationship between HR and Board

One of the key factors in a successful HR strategy is the relationship between the HRD and CEO or MD. The business leader needs an HRD or CHRO to provide the expertise in predicting what staffing and development needs the organization will have, along with the right strategy to hire, develop and retain top talent that will enable the business to grow and meet its corporate objectives. I recently asked my network of HR Directors what is most important to seek advocacy for from a new CEO or Managing Director. It was no surprise that having a People Strategy and Employee Engagement Strategy were top of the list.

HR can influence the success or failure of good company culture and employee relations through close dialogue with the Board, ensuring that culture starts at the very top. By holding the Board and each Function within the business to account, HR can ensure that consistency and continuous improvement is applied to everything people related.

It is widely recognized within the HR community that to truly value its people as its largest asset, HR should have a seat at the Boardroom table to have direct involvement in decision-making. A close alignment between HR and Board in approach and values is essential, so the inclusion of HR at the top table makes perfect sense. If not at the table,

HR need to be able to present regularly to showcase not only key metrics and achievements, but also to highlight any areas for innovation, transformation and opportunity across the business through HR initiatives. HR's position of sitting across all functions of the business, give it an excellent viewpoint of all the business challenges and can therefore provide a different perspective on situations or issues that may have limited options when viewed only by functional heads or the Board.

Jane Adshead-Grant shared the following thoughts:

“One of the critical roles HR can play at the Board table is to challenge the assumptions of its members on key topics such as diversity, equality and inclusion, flexible working, ethical decision making, upholding its leadership principles and honouring the dignity of its employees. Surfacing assumptions, challenging their truth and asking powerful questions to imagine a future where their business is a source for good, for all stakeholders, is an invaluable role in any organisation and on any board. The question remains, if you don't have People and Culture represented on your board, why not?”

80% of HRD's we surveyed cited a **'Seat at the Table'** as a major factor in the ideal **HR/Board relationship**. **70%** viewed being a **'Trusted Partner'** as another major factor

Of course, the ultimate foundation for any relationship is trust and this is essential in the relationship between HR and Board, to facilitate open and challenging conversation that will enable a fair and holistic approach to successful HR strategy deployment and ultimately, optimum employee relations, productivity and retention. It is trust that enables a 'True Partnership' approach.

Peter Thomas, a leading Interim CEO, shared with me his thoughts on the HR / Board Relationship as follows:

“The impact of the COVID-19 pandemic has exposed many organizational and leadership behaviors, values and traits. Traditional legacy-based thinking and planning to business is now firmly rooted in a business environment that is widely recognized as outdated.

Critically, business has always been 'about its people', but many leaders and boards, have not always understood or recognized that. Now, more than ever current and post pandemic, the function of business, its strategic pathways, its leadership and its governance – must all be built around its people and its culture.

The Chairperson, NED's, and Executive Leadership that sit at the top, now have to consider forming a 'servant leadership' approach to its strategy and future direction. In the past, the HR function has not been recognized as a board level role, this is something I have always disagreed with. However, certainly in recent years the role of the CHRO has found itself becoming more strategically influential and a fundamental part of the governance function. Now, most certainly I would insist that the CHRO/HRD sits firmly within the board as a key part of the executive team with a business wide remit – that includes the executive, and in larger corporates, critical oversight of the executive, should have a qualified HR based NED.

Organisations, now more than ever, have to factor into their 'forward view and line of sight', the impact of a strategic journey that is shaped by its people, and not as a second

thought, but a first thought on the transformational journey that each business and sector now have to embrace.”

Succession Planning is a vital part of any business and people strategy. Therefore, it is important that HR have a relationship with the Board where they can provide unbiased input to the succession plan to ensure the outcome is best for the business and not simply the ‘favoured choice’ of the CEO or MD. There are times when a suitable successor is not within the internal organization, in which case an external candidate that meets the required criteria for success is sourced. Often, a high performing individual may not always be the best person to step into a bigger role, so a balance needs to be struck between opportunity for developing existing employees and the critical needs of the business. This can be quite a tough decision to make so it’s important for HR to take an unbiased view of the various options, as they will take a holistic view rather than one that directly impacts their own department or personal preferences.

The successful HR / Board relationship is one that allows the Executive Leadership Team to use HR as a ‘sounding board’ on decisions or potential strategy that may impact their employees. Again, this needs to be an environment where transparency is paramount and where both parties can communicate in detail with the understanding that it’s OK to disagree, as long as a mutually beneficial solution is reached for the business and employees.

Will we see future MD’s or CEO’s come from a background of Human Resources?

I’m sure there will be mixed views on this, but why not? Maybe businesses need to change the way they think about what the future CEO or MD needs to look like? One thing for certain is that Leaders really need to have a focus on people, as well as the numbers. If people really are the most important asset of a business, if employee engagement really does account for higher productivity and retention, then maybe the CEO or MD of the future could indeed come from an HR background.

Bill McDermott, ex-CEO of SAP and now CEO of ServiceNow was quoted in a FORTUNE.com article on Leadership by McKenna Moore as follows: “The pendulum has really swung more toward leaders being absolutely in service to the employees and finding new ways to innovate, to find the best in them,”

What do you think?

Thank you to the various contributors and many survey respondents who have made my research for this article both interesting and possible.



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