

A sunset over the ocean with a large rock in the foreground. The sky is filled with soft, colorful clouds in shades of orange, yellow, and blue. The water is dark and calm, reflecting the colors of the sky. A large, dark rock is visible in the foreground on the right side.

CHREATE

Shaping the Board's Expectations of Human Resources

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Background

This document contains the work product of a team within the **CHREATE** Project (*The Global Consortium to Reimagine **HR**, **Employment Alternatives**, **Talent**, and the **Enterprise***) which is part of team three in phase three of this initiative. The goal of this work is to define what is needed to move beyond today's constituent expectations of HR. The constituent covered in this document is the Board of Directors of publicly traded companies. With the aim to improve upon today's expectations with evidence that this role leads to improved value creation for the organizations the Boards lead.

The Board and Human Resources

There are 3 HORIZONS to consider in mapping CHRO's evolving role with the Board. What are the new questions within each of the horizons?





Horizon #1 The Legacy Role

In the recent past, the board had been focused on issues related to CEO pay and executive compensation. HR and Executive compensation executives acted as staff support to the board in these efforts. In strongly unionized companies a committee or the full board regularly reviewed union activities and contract negotiations working closely with labor relations executives.

- Comp Committee and Executive Comp.
 - CEO pay
 - Executive pay
- Labor Relations (Unions)
 - Contract negotiation



Horizon #2 The Current Role

In recent year boards have broadened their thinking to include talent not only as a critical factor in executing upon the corporate strategy, an asset and investment, but also potential risk to the company.

- Reporting on the state of Executive Talent Management
 - Succession Management for the Executive Team with the focus on the C-suite roles including CHRO. In particular, are both long-term and emergency succession plans in place, regularly updated, and constantly in progress?
 - Strategic readiness – In order to successfully implement our strategy over the next 2-4 years, what is the gap between the management talent we have and the talent we need, and what is the plan for filling those gaps through development, reassignment and recruitment?
 - State of Engagement (Engagement Survey results and follow up actions) – including information on recruitment and retention
 - Compliance Culture -- Ethics Training along with the General Counsel and Chief Risk Officer)



Horizon #3 Emerging Issues

The next horizon undoubtedly includes deeper dives into the human side of business. Broadening strategic focus through innovative human capital strategies.

- Workforce Composition (non-traditional workers, the gig economy, human-machine collaboration)
- Diversity + Globalization
- Culture as a competitive advantage
 - The human/cultural side of M&A
 - Employee Engagement and Experience
 - Challenging Pay for Performance culture
 - Reputation management of the Firm from the employee perspective
 - Values refresh

QUESTIONS THE BOARD SHOULD ASK THEIR ORGANIZATIONS

Boards should be asking their organizations questions about workforce competition, diversity, where talent gaps lie. They should be aware of the diversity among the leadership in the organization. With regard to culture, boards should know the role that the culture plays as the foundation for strategy and performance. So, Boards should concern themselves with issues related to alignment between strategy and culture. Investments in human capital make up more than a third of assets in most companies, yet boards often do not evaluate these investments with the same scrutiny as other investments or capital assets.

- Is there sufficient investment in top human capital priorities to drive the culture offering optimum readiness and ability to achieve strategic objectives of the enterprise?
(targeted investment in human capital aligned to business objectives)
- Are the leadership, workforce and infrastructure positioned to achieve strategic objectives challenges of the business? Is there a clearly articulated appreciation of the level of readiness required and realistic plan for success in execution?
(Is there Organizational capability to achieve strategic business objectives)
- Is innovation in human capital investment offering competitive advantage to the organization? What are the human capital strategic priorities and are we excelling in these areas of focus?
(Is there focus on the future needs and excelling beyond best practice to best in class where optimal for market leadership?)
- What will enable the Board to better evaluate human capital readiness?
(Does the board have information and capability needed to access key human capital needs? What must the organization provide to the board to achieve these goals?)

QUESTIONS THE BOARD SHOULD ASK THEMSELVES

In addition to the questions the Board should be asking of HR, there are also questions **the Board should be asking of itself** regarding its approach to HR as a key component of both risk management and strategic value creation.

- Does the board's composition reflect the necessary diversity of business experience, functional skills (e.g., HR, enterprise risk, reputation management) and cultural background that are essential to understanding the importance of talent and culture?
- Does the board's structure – specifically, committee responsibilities for matters related to risk and strategy – contribute to meaningful consideration of HR-related issues at the level at which most board work gets done?
- Do the board's work processes, including annual schedule of regular and special meetings, effectively integrate HR into the board's ongoing consideration of strategy and risk?
- Does the board's own culture reflect and model the culture and values it embraces for the organization as a whole? If, for example, the values include transparency, innovation, diversity, accountability, collaboration, or whatever they might be – does the board take explicit steps to operate according to those same values?

HR CONTRIBUTION TO BOARD DISCUSSIONS

Topics for the board

Strategic direction considerations

New businesses talent, resources needed, assessment of capability, map of how to gain capability, acquisition readiness, change management, compensation

Growth in existing markets talent, organization design and effectiveness, compensation

Divesting/exiting markers and businesses talent, terms, Knowledge transfer, labor/legal/timing

Value drivers and productivity

Use of people reposts, recruiting, community

Pay practices and people levers

Engagement

Culture and Brand

Culture positives and risks used dashboard, Workforce planning analysis, talent/competency review

Diversity, pay, compliance

Ways to improve, drive shareholder discussions.

Board of Directors Human Capital Agenda

On the next slide you will find a suggested Human Capital Agenda that represents the topics, dashboards, reports and special presentations a board might review over the course of several years. This agenda is designed to address both specific requirements and general governance principles applicable to most corporations, and to include topics of interest and emerging issues involving human capital. It is designed as a tool that any publicly traded organization could use as a guide to modify their board calendar to meet their own unique needs and circumstances.

Board of Directors Human Capital Agenda (Multi-year)

February (Compensation Focus)	April (Diversity Focus)	June (Succession Focus)	September (Talent Focus)	December (Strategy/Risk Focus)	Suggested Board Education Sessions
EXECUTIVE COMP					Strategic Workforce planning including trends forecasting, alternate labor sources
Review and approve financial results	Executive session: comp plan feedback			Preliminary Performance goals and measures results	Our Employer Brand and the employee experience
Approve CEO/NEO cash comp	Shareholder advisory comments	Market data review	Review LTI design	Preliminary review of exec comp CEO/NEO next yr	Organizational effectiveness: including how we use tech to drive value
Approve Bonus Payout	Shareholder Comments		Update on reg and legislative comp development		Leadership supply chain aligned to strategic imperatives
Approve ST and LT incentives	Review regulatory environment (comp)	Performance goals and measure update	Review of Committee Charter and philosophy		Innovation (joint session with others) HR covers people side: talent, culture
Performance goals and measures	Stock Ownership Guidelines				Organizational design deep dive inc what is needed next
Approve equity awards	Peer group review				Culture: where we are versus aspirational and how we get there.
CDA Review inc Comp	HR Operations Dashboard		HR Operations Dashboard		Managing talent and culture through M&A
Approve ST and LT incentives					Compensation linked to performance outcomes
Performance goals and measures					Union/Labor issues if applicable
Establish financial metrics and goals					Deep dive on diversity and inclusion including business and customer impact
Review compensation consultant and SOW					
TALENT					
Executive Session on Talent Updates	Diversity Talent Review	Executive session on People Development	Full Talent Review	Full Board Strategic Review w/ talent needed to accomplish	
Update on Succession Planning	Review of Leadership Development Initiative	CEO Succession Plan		Full Board discussion of Risk including Talent/HC, Culture risks review	
	CEO Development Plan				
*Talent dashboard	Talent Dashboard		Talent Dashboard		
CULTURE AND COMMUNITY					
Change management initiatives	Diversity and Inclusion culture review	Engagement survey results	Innovation culture review	M & A Review including Culture Alignment	
Culture dashboard	Social Responsibility report or dashboard	Culture dashboard	Social Responsibility report or dashboard		
INNOVATION AND TECHNOLOGY?					
		Tech Review including talent	Full Board Review of Innovation including talent		
BOARD GOVERNANCE	Board Member Pool		Preliminary risk overview including HC/Talent/Culture	Full risk review	
*Note: Talent Dashboard includes pipeline, demographics, gaps & risks, potential shortages, deployment toward strategic initiatives, retention of strategic talent.	Culture includes mission, vision, values, purpose, employer brand, employer value proposition, employee experience, behavior, codes of conduct, diversity and inclusion climate.	Organizational Effectiveness: structure, silo, change management, technology to enable work.			

Black= Comp and HR Committee Only

Green= Full Board Review

Orange = Nominations and Governance

