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Board effectiveness focus: Why directors with HR expertise help boards do better

As boards' responsibilities become more complex and they seek to become more effective, adding more directors with HR expertise can help, as highlighted by our interviews with 18 sitting board members.



Boards have a few foundational responsibilities, among them overseeing performance, risk, and CEO succession planning—endeavors that are evolving and increasingly complex.

Risk, for example, now extends to talent risks of all kinds, as they are more material than ever before. “Talent is at a level of complexity that we have not seen before,” one board director told us. Companies face the perennial need to attract new people, which is getting harder as workforce dynamics shift and as more potential employees seek newer ways of connecting with their company, such as a shared purpose or flexible work arrangements.¹ Retention is a particular risk today: recent Heidrick & Struggles research shows that 76% of executives are very or entirely willing to change companies in the next one to three years.² And then there are the links between performance, people, and culture, which are increasingly being recognized as make-or-break elements of organizational success. One-third of recently surveyed CEOs in ten markets around the world cited culture as the factor with the most influence over financial performance, for example, and 71% cite it in the top three.³ Finally, boards are navigating the seemingly more complex landscape around hiring underrepresented groups, including adherence to new guidelines and regulations that can make this goal more challenging to achieve in certain geographies.

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CEO succession is also evolving. Not having a solid, multiyear, and frequently reviewed CEO succession plan is a huge risk, yet only half of North American board members we surveyed recently think their current process puts the company in a good position for succession.⁴ As for the nature of that process, boards are more often appointing CEOs internally—64% in the most recent year covered by our *Route to the Top* report, up from 61% the prior year. Therefore, boards need to dig deeper into the executive team and companies’ overall pipeline of talent than ever before. On top of that, the job of the CEO is increasingly complicated and higher stakes, requiring boards to make trade-offs in terms of the skills and capabilities the CEO themselves must have and those that can be complemented by members of the executive team or the board. And, after a couple of years of low turnover starting in 2020, CEO successions are once again rising in most markets we study.⁵ In parallel, CEO tenure continues to fall in many markets, meaning that boards need to be thinking about the talent pipeline and executive development fairly continuously.⁶

Boards’ understanding of challenges like these, and their decisions about them, will be enhanced by enterprise-minded HR expertise on the board itself. Yet our analysis shows that over the past five years, the share of new directors in the United States, the United Kingdom, and Europe with such expertise has averaged about 2%.⁷ In this context, we interviewed 18 board directors in Canada and the United States who have served on boards with HR leaders as fellow directors; some also have HR expertise themselves. Their insights show that, today, HR expertise is crucial on the boards of average-functioning organizations and even more important at companies in periods of transition or fast growth. It is no longer enough to have a strong CHRO in the company or to rely on consultants to bring that perspective to the board.

1 For more on our thinking about these topics, see Dorothy Badie, “Competing in the new talent landscape: Five areas to focus on,” LinkedIn, May 30, 2023, linkedin.com.

2 Heidrick & Struggles proprietary data from a survey conducted in summer 2023.

3 In Canada, 84% of CEOs cited culture as a top-three factor; 69% of those in the United States said so. For more, see “Aligning culture with the bottom line,” Heidrick & Struggles, heidrick.com.

4 Heidrick & Struggles proprietary data from a survey of board members conducted in spring 2023.

5 For more, see *Route to the Top 2022*, Heidrick & Struggles, heidrick.com; and *CEO Succession Practices in the Russell 3000 and S&P 500: 2023 Edition*, The Conference Board, forthcoming.

6 For more on other ways boards can improve their overall effectiveness, see Alice Breeden and David Hui, “A board review that accelerates competitiveness,” Heidrick & Struggles, heidrick.com.

7 Heidrick & Struggles proprietary data. For more, see the *Board Monitor 2023* reports on heidrick.com.

The independence and peer-to-peer perspective that board members with HR expertise bring to board discussions is increasingly central to good debate; their presence also avoids what one director called the “disruption” of the executive team that can happen when the board calls on the company’s CHRO (or any other single senior executive) for advice.

Our interviews emphasized three specific ways HR expertise can help boards carry out their responsibilities today:



1. Playing a leading role in CEO succession planning



2. Navigating talent and culture issues that are becoming more challenging and important



3. Enhancing internal HR teams with an enterprise-wide mindset and a road map to value creation

1. Playing a leading role in CEO succession planning

We heard over and over that CEO succession is a challenge and that most companies aren’t getting it right. Many HR leaders have been through more CEO and senior leader successions than have board members with most other kinds of expertise. Thus, they can bring to CEO succession planning a level of objectivity, expertise in the process, and a perspective on culture impact and other factors connected with long-term success. “In the absence of an obvious CEO successor, I don’t know of a board that could do this well without someone with HR expertise—someone who’s done it before—at the board level,” said one director. “Our CHRO [fellow director] brings a level of comfort, experience, and knowledge to CEO succession that I do not have,” said another. Furthermore, such a person can bring an unbiased perspective to the effort: “During CEO succession planning, the current CEO cannot be objective. That’s why you need a strong CHRO as a partner [in the board’s conversations],” another board director told us.

For one thing, many boards still don’t see talent recruitment and succession as long-term endeavors. “The common view is that these are transactional events. But CEO succession should be an ongoing initiative,” said one director. People with HR experience know this. “We know effective CEO succession planning requires long-term thinking. You need someone on the board that gets this and can influence the CEO and board,” said one director. “You need someone at the board level who can talk to the chair and work together to prepare the top five executives and the rank below to create the right shift for the new CEO,” said another.

Perhaps a more surprising aspect of how HR expertise can positively influence CEO succession planning is injecting a willingness to wait for the right person. “The CHRO on our board deeply understood the business needs and was willing to keep the job open if we couldn’t find the right person,” said one board director. “They brought skepticism around the candidate list that management put forward and weren’t afraid to invest time to develop people,” said another.

HR leaders’ expertise in managing team dynamics can also serve them well here. “Most of the board members were fast to look at management qualifications but not as much at how the person collaborates or their leadership style—the softer side,” said one director. “That’s what made the difference in the end for us. What’s best in class is not necessarily what’s going to fit.”

It is also important to note that these same insights can, and often should, be brought to the board refreshment process, as several directors noted.

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2. Navigating talent and culture issues that are becoming more challenging and important

People with HR expertise often have at least a bit more knowledge about sustainability issues than other board members, as until recently many such issues have been seen as part of health or safety operational processes rather than strategy.

There are a few other key issues where HR expertise can provide a powerful lens today. One is advising on the growing importance of talent development and strategic talent planning to employee retention. “When we were expanding the brand, we got a CMO on the board. What we’re seeing now is a desire to inject more strategic talent,” noted one board director. In that context, it makes sense to bring someone with HR expertise onto the board—especially given current risks around retention, from the three-quarters of executives open to a move to the overall 3.5% unemployment rate in the United States, the lowest rate since 1969, and a similar 5.5% rate in Canada.⁸ “Talent attraction, talent retention—all talent-related issues,” noted one board director, are areas where the HR perspective is crucial. And, as another put it, “Everyone checks the boxes around people, but not in the same way as an HR leader.”

Culture, which of course is closely tied to questions of talent attraction and retention, is another area. “The board defines the culture—how it evolves and develops. And this is the drawing factor for talent. It is what will keep the company alive,” said one board director.⁹ Board members with HR experience are often better able than others to identify concerning behaviors and styles and spot cultural red flags, expertise that can be missing on many boards. In addition, board members with HR experience tend to have more experience dealing with culture, team dynamics, and related topics and can support the company’s CHRO in managing these topics, particularly at the most senior levels. “The CHRO had a lens on understanding the players on the team and how they work together—how the CEO and CFO connected, for instance,” said one board director. Another added: “HR experience aids with people issues with the CEO or other senior leaders, such as behaviors that are harmful to the company’s culture. You need people who can read people—people that can say, ‘This is what I’m seeing,’ and can advise on what to do about it.” Another director noted, “It’s important to focus on the team health of the board, and always trying to improve capabilities.”

Finally, ESG is an area that is or should be top of mind for all boards today¹⁰ and one where people with HR expertise can provide real value. Many of these issues remain polarizing, and HR professionals, as one noted, “can help you step back and say, ‘Maybe you are personally offended by something, but that is a matter of personal belief. As a board, let’s look at this objectively.’” And people with HR expertise often have at least a bit more knowledge about sustainability issues than other board members, as until recently many such issues have been seen as part of health or safety operational processes rather than strategy. “Many directors are from a different generation and don’t understand why DE&I and ESG are so important. But it is a big deal, and our stakeholders look for this,” noted one board director.

⁸ Ismail Shakil, “Canada unexpectedly sheds jobs in July, central bank seen pausing hikes,” Reuters, August 4, 2023, reuters.com.

⁹ For more on boards and culture, see Alice Breeden, Rose Gailey, and Ian Johnston, “Getting on board with culture,” Heidrick & Struggles, heidrick.com.

¹⁰ Reasons range from stakeholder and investor pressure to regulations to risk to financial performance. For more, see *The Role of the Board in the Sustainability Era*, Boston Consulting Group, Heidrick & Struggles, and the INSEAD Corporate Governance Centre, heidrick.com.

3. Enhancing internal HR teams with an enterprise-wide mindset and a road map to value creation

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Even as board members engage more deeply in some areas of the organization than ever before, a healthy, natural tension will continue to exist, we have seen, as long as the roles of interaction and communication are clearly defined and lived up to.

Because HR leaders know the HR function intimately, they can bring the enterprise mindset that makes them a valuable board member directly to the operations of the HR function. HR-focused directors ask thoughtful questions of the CHRO, for example, suggesting how and when the company should learn about emerging issues and, as noted above, adding expertise on tricky culture and team dynamics issues. When the company’s HR function is only average, one director explained, “You need a very strong HR person at the table.” And when the HR function is strong, she added, having board members with HR expertise “who know when it’s time to be HR and when it’s time to be something larger makes all the difference.”

Indeed, “Enterprise management understanding is first and foremost what these experts bring to the board,” said one director. “I think more about the downstream impacts. What if this person leaves? How much turnover can you tolerate when you have a succession event?” said another. Board members with HR expertise, more than most other directors, will also encourage CHROs to have knowledge of the people in the organization. This will benefit succession planning, as one director explained: “They knew enough about the top 50 people in the organization that they knew who to point to when it came time to think about who was next in line.”

This thinking extends to looming risks and potential shifts. “AI is going to displace people,” noted one director. Another went on, “Labor shortages, [human capital] issues in general, and the need for greater technology—boards need to be conscious of these issues and have a point of view as well as a willingness to listen.” HR experts can help bring this point of view. “These kinds of challenges are going to require a very high strategic focus of that function,” a board director noted.

HR leaders also bring knowledge of compensation and the value of external benchmarking. “There’s often a bias toward what you’ve got in-house. Boards aren’t always thinking about how we stack up to the outside world,” said one board director. A CHRO or other individual with HR expertise can bring that perspective. “They were able to influence a change in how we looked at the talent landscape, breaking down existing paradigms, to better the company,” said another board director. And compensation is an important consideration, particularly during succession planning, that a person with HR experience can steer. “During CEO succession, they are always needed for compensation plans,” said one director. Another elaborated: “CHROs have an eye across the organization in these matters. There were times when we were going down a path and making decisions on CEO compensation that were not in line with the CEO’s direct reports. Once we heard that, we were able to connect the dots in a way that didn’t cause any angst.”

Of course, as with any area of board expertise, it is important to have clear rules of engagement for how involved board members will be with the management team. Board directors are responsible for overseeing and advising management—not running the company or being responsible for the day-to-day work of the organization. Even as board members engage more deeply in some areas of the organization than ever before, a healthy, natural tension will continue to exist, we have seen, as long as the roles of interaction and communication are clearly defined and lived up to. One director summed it up as “being about communication, open leadership, and boundary setting.”

Which HR experts to look for

Not everyone with HR expertise is right for a board role. What else is needed? Who should boards be looking for?

“For HR people to be strong board members, they also have to be strong businesspeople,” one board director told us. “In the end, the business is about value creation,” said another. “If you cannot be helpful or participate in conversations beyond your functional area, there’s less value.” Indeed, many directors noted the importance of varied expertise and experience. “I think the depth and breadth of my resume got me the position. I think some peers are having a much more difficult time,” one director said.

Increasingly, boards are looking for CHROs with analytical skills. “They want someone who can make sense of the data,” said one director. Another went on: “I often hear that I have good judgment. I think this is common in CHROs, and it allows us to be a trusted advisor.” But to be a true advisor, they can’t just be cheerleaders for management. “CHROs bring some needed objectivity,” noted one board director. The ones who become the most effective board members also have the courage to tell the truth and say what needs to be heard, even when it is uncomfortable or unpopular, and, in doing so, act as trusted advisors.

CHROs and the boards they join will also benefit from thoughtful onboarding. One CHRO noted that her engagement was expected immediately in areas such as talent and culture, but it took a bit longer for her to be seen as adding strategic value. The chair can play a role in ensuring a new HR-experienced director—like any other new director—has opportunities to build relationships and is actively called on to contribute to discussions from the beginning.¹¹

A longer-term tactic one board member suggested is rotating through various committees, particularly the audit committee, which can provide good context to help HR leaders learn more about the business as a whole.

When the need for HR expertise on the board is acute

Having individuals with HR experience on the board is particularly useful in certain cases, including for companies that are about to go public; companies looking at acquisitions or divestitures; those going through large-scale transformation; and start-up companies or any company that is about to experience explosive growth. “The majority asset spend for those companies is talent, employees. That is where someone with human capital management expertise should be,” said one director. Relatedly, directors mentioned the importance of having HR professionals on the board at retail companies, given the large number of employees, and in union environments.

Board directors are coming to recognize the increasing value of having people with HR expertise on the board as a matter of fact. “A CHRO can add value at every board meeting,” said one director. “Your CHRO can be a great resource, but they report to the CEO. The chair will turn to their board versus the CHRO of the company.” An HR expert on the board can act as a sounding board, take the temperature of the company’s culture and talent, get the company on the right track in terms of CEO succession, and help the company make progress on topics such as sustainability and DE&I—some of the most important considerations for companies today.

¹¹ For more on being a first-time board member and onboarding them well, see Alice Breeden and Richard Jolly, “Building better board dynamics,” Heidrick & Struggles, heidrick.com; and Alice Breeden and Richard Jolly, “Three steps to finding a voice in the boardroom,” Heidrick & Struggles, heidrick.com.

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