

Where is HR?

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Corporate director Lisa Colnett doesn't feel like an outlier. Nor does she feel like she is leading the vanguard of a new wave of board recruiting. As a successful human resources executive, Ms. Colnett is indeed a rarity among her peers on Canada's corporate boards.

"It's nothing I've ever really thought about before," admits Ms. Colnett of her status as one of a small handful of directors whose executive experience originated in HR. "During my career, I've positioned myself to add value in areas beyond human resources."

Seeing an HR executive on a corporate board may not be quite as rare as the recent solar eclipse, but it is not far off. A recent survey¹ of the top 100 public companies headquartered in British Columbia and Alberta showed that only seven of those companies included an HR executive on their board. Then consider Ms. Colnett sits on two of those boards—Alberta-based companies Parkland Fuel Corporation and Parex Resources—and the representation of HR leaders seems even smaller. Of the 868 directors serving on those top 100 corporate boards, less than one half of one percent (0.46) have an HR background² (incidentally,

only 147 of those 868 directors, or just under 17 percent, are women).

When you think about the traditional professional backgrounds and experience of public company independent directors, the list of usual suspects is consistent: an accounting and finance professional to lead the Audit Committee; a technical person or an engineer; perhaps a legal professional experienced in mergers and acquisitions; and a handful of current or former senior industry executives and CEOs experienced in developing and implementing corporate strategy. In recent years, some boards began deepening this talent pool by adding directors with expertise in risk management, environmental sustainability, First Nations and government relations, digital media, and IT/cyber security. With a mandate to set strategic direction, plan for CEO succession, monitor enterprise risk, and act in the best interest of shareholders, this complement of backgrounds is a strong model for accountable board governance.



¹ Alexander Whitehead Executive Search ranked the top 100 public companies in western Canada—50 in British Columbia and 50 in Alberta—by market valuation as of June 29, 2017 and analyzed the biographies of each director to determine this statistic.

² Although this research was restricted to Canada's two western provinces, it is reasonable to assume this ratio is consistent across other jurisdictions.

Meeting Room

BUT WHEN COMPANIES PROUDLY PROCLAIM THEIR MOST IMPORTANT ASSETS ARE THEIR PEOPLE, WHERE IS HR AT THE BOARD TABLE?

Beverley Briscoe, a Canadian business icon who has successfully leveraged her professional career into several corporate directorships, including her current role as Board Chair of Vancouver-based Ritchie Bros. Auctioneers, offers this perspective:

“Most boards are comprised of senior business leaders,” explains Ms. Briscoe, “and when directors check off their expertise on the Board skills matrix, they all select HR because most of a senior leader’s job is managing people and performance.

“At Ritchie Bros., one of the most important questions we ask of a director when recruiting is ‘how have they proven their strategic leadership skills?’ Boards focus first on corporate strategy, and directors have to have experience leading or contributing to the strategic development of a company. Boards don’t bring HR executives on to the board to enhance in-house HR.”

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Sarah Raiss, also a director at Ritchie Bros. among other companies and the former EVP Corporate Services for TransCanada Corporation, adds that tactical HR expertise is readily available and utilized by boards. “Many public company boards don’t believe they need specialized technical HR expertise. The board can rely on management and external consultants when they need technical advice.”

THE HR HURDLE

The difficulty of securing a corporate board position is well understood by HR executives. TJ Schmaltz, a director for the not-for-profit Chartered Professionals in Human Resources (CPHR), a national organization representing 27,000 HR practitioners across the country, knows the challenges he and his HR colleagues encounter.

“Only a small group of HR leaders have been able to effectively brand themselves as having the necessary business acumen and the ability to demonstrate the return on investment HR can deliver to an organization,” explains Mr. Schmaltz. “Those HR leaders who don’t think about the business first, and then how to bring the right people to deliver the corporate strategy, lack credibility as a potential board director. HR leaders who can’t tie HR initiatives to results that drive strategy and the bottom line will struggle getting to the boardroom table.”

In some companies, a bias still exists that human resources is a cost centre and primarily a tactical function and not strategic. This reinforces the belief that HR executives may not have the perspective to contribute to the broader, long-term corporate strategy. This is a frequent frustration voiced by senior HR leaders³ and a career Catch 22: if they don’t have the opportunity to contribute to the strategic development in their own company, how can they gain the skills to do so at the board level later in their career?

³ Every year Alexander Whitehead Executive Search publishes a survey of HR leaders in British Columbia and Alberta asking about their professional objectives for the coming year. Approximately 60 percent of respondents in 2016 stated the objective of expanding the influence of human resources in strategic planning within their organization as a professional priority.



UNDERSTANDING HR'S VALUE PROPOSITION

Despite the paucity of HR representation on corporate boards, there is no dispute among directors and HR executives on the importance of HR and its potential to add value in the boardroom. Rahul Bhardwaj is the President and Chief Executive Officer of the Institute of Corporate Directors which offers Canada's top director education program and grants the ICD.D designation.

"There are a number of HR functions that boards often outsource, such as CEO compensation analysis, but that doesn't detract from what an HR executive can bring to a board," notes Mr. Bhardwaj. "Expertise in talent management programs and succession planning for CEO and executive management are areas where an HR lens is very beneficial to a board. Another key area where an HR lens is valuable is in mergers and acquisitions and harmonizing cultures following an integration."

"An experienced HR practitioner sitting on the board can assess whether the corporate culture is viable and vibrant."

BRIAN MCGURK

In the critical area of CEO compensation, Ms. Colnett adds that "real and direct experience at the Board level in executive compensation is needed to provide sound oversight of the executive compensation program and disclosure. Also, an experienced HR executive can allow the HR and Compensation committees to manage external relationships with compensation consultants. This expertise on the Board offers a much-needed check and balance to manage HR consultants."

"When you consider that people-costs drive the vast majority of an organization's operating expense," observes Mr. Schmaltz, "and that exceptional people practices can be a lightning rod to achieve strategic objectives, then there is no doubt boards benefit from having business-minded HR executive as directors,"

CULTURE IS KEY

Management guru Peter Drucker is often credited with coining the phrase "culture eats strategy for breakfast" in reference to the correlation of an organization's corporate culture and its bottom line performance. This certainly resonates with many executives, and incorporating cultural values into the board agenda presents an opportunity for the board to provide "top down" leadership across the organization. But is this part of a board's responsibility, and, if so, what can HR expertise on the board do to support and enhance the overall culture of an organization?

Brian McGurk is in an enviable executive position, at least among his HR peers. Mr. McGurk is the EVP Human Resources & Strategy for Secure Energy Services. He sits at the intersection of human capital and long-term strategic planning for the Calgary-based energy services company that operates in Canada and the United States, and he has a clear line on the critical area where HR leaders can add value.

"Today's organizations are culture-driven and increasingly complex," states Mr. McGurk. "HR executives who have purposeful experience developing and cultivating a high performance corporate culture can add value as a director by providing their board with expert strategic advice on how the company's culture is impacting company performance. The board may not get a clear message from management on this issue; however, an experienced HR practitioner sitting on the board can assess whether the corporate culture is viable and vibrant."



OPPORTUNITY ABOUNDS—IF YOU KNOW WHERE TO LOOK

HR leaders seeking their first corporate board opportunity face a similar dilemma that early career professionals encounter when seeking their first job: “I can’t get hired because I lack experience, and I can’t get experience because I can’t get hired.” This unfortunate circumstance can be overcome if HR executives know where the board opportunities exist. Look first to the public sector.

In British Columbia, the Board Resourcing and Development Office is responsible for sourcing over 250⁴ individuals for the government’s boards and agencies, and they place a premium on HR expertise, according to former director Natalya Brodie.

“In British Columbia, there are three priority skill sets when recruiting for public sector boards: accounting, legal, and human resources. HR expertise is vital, especially if one of the Crown agencies is about to undergo a CEO search in the future. HR professionals are compliance oriented and understand government’s need to adhere to policies related to confidentiality when hiring senior executives. Diversity is also important—not only gender diversity, but diversity of skill sets. HR executives add diversity to Crown boards through an advanced understanding of organizations, policies, and people management

“Do your homework. Know the stage of development the company is in and see if that is a fit for your skills.”

LISA COLNETT

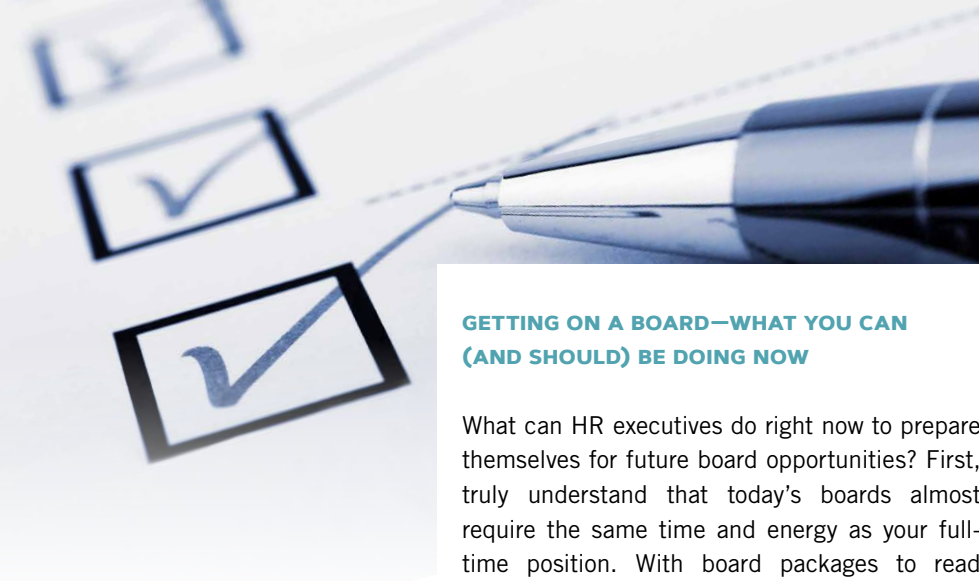
that are necessary to govern and operate a public sector organization.”

Not-for-profit organizations are also fertile ground for aspiring directors seeking board opportunities. Alexander Whitehead Executive Search reviewed the top charitable organizations⁵ in Alberta and British Columbia and determined that over 33 percent listed at least one HR executive as a board member. Vancouver’s Arts Club Theatre Company, Canada’s largest urban professional theatre company, leads the charge with not just one but a total of three executives with HR expertise on its board. Since many not-for-profit organizations often lack HR positions at the executive management level, this is where an HR practitioner can add immediate value while learning and honing governance skills.

HR executives seeking compensated positions with publicly-traded companies or private company advisory boards should heed Ms. Colnett’s advice: “Do your homework. Know the stage of development the company is in and see if that is a fit for your skills. I have a broad operational and functional background which appealed to the board at Parkland. It was a smaller company at the time (I was recruited) and they liked that I had been an HR executive and a CIO. The company was growing by acquisitions and I understood corporate integrations well; my skills added value to their board.”

⁴ The Crown boards and agencies in British Columbia are much closer to gender parity, with female directors representing 42 percent of all appointments as of July 11, 2017.

⁵ Organizations were ranked based on size of operating budget as of June 29, 2017.



GETTING ON A BOARD—WHAT YOU CAN (AND SHOULD) BE DOING NOW

What can HR executives do right now to prepare themselves for future board opportunities? First, truly understand that today's boards almost require the same time and energy as your full-time position. With board packages to read and digest, and perhaps some travel to attend meetings or visit operations, just preparing for each meeting is a significant investment. Be sure your professional and personal schedules can accommodate this time commitment.

Professional development, in the form of director education, is the next key step. The Institute of

Corporate Directors offers accredited training and provides participants with a valuable opportunity to learn governance skills and network with other executives at the same time. Consider approaching your CEO and Board Chair to share with them your interest in pursuing board opportunities. They may support (read: pay for) your training as part of your professional development, and, importantly, they may also advocate on your behalf within their professional network.

There are several additional proactive steps that HR leaders can undertake at any point in their career to prepare and promote themselves for director opportunities. Below is a list of recommendations from experts in the field:

“Start early—don't wait until the end of your career to prepare for board opportunities. Pursue not-for-profit boards early on and find an area of interest where your HR expertise can add real value. Maintain a schedule of continued education and professional development.”—Rahul Bhardwaj

“Work in your career to develop, grow your skills and focus on your unique expertise. Boards will see benefits from an HR executive with recognized experience like managing organizational change, leading significant projects, restructuring and aligning compensation programs, developing talent and succession planning.”—Beverley Briscoe

“If the objective is to sit on a corporate board, then getting experience in a not-for-profit board is a good starting point. Understand board governance and best practices, and then augment that experience with education that leads to a designation, such as the program offered by the Institute of Corporate Directors.”—Brian McGurk

“Learn the finances and operations of your own company, and understand risk management. Without these skills, getting on a corporate board is a tough row to hoe.”—Lisa Colnett

“Practice what you preach about aligning your actives as an HR professional back to the business and be able to evaluate how HR is adding value. That is what is important to a board.”—TJ Schmaltz

“Get known! Start actively networking and letting people know you are interested in board work a couple years ahead of time. What do you bring to the table? Focus on your unique expertise and research how companies might benefit from your experience. At the professional level, think beyond the HR technical skills you already have. Volunteer for special projects that can expand your skills in strategy, finance, operations, and risk management.”—Sarah Raiss

Alexander Whitehead Executive Search would like to thank the following for contributing their insights into this article:



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