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HR The Torchbearer of Corporate Governance

Some of the recent developments in corporate India have made corporate governance more important than ever before.

Minority shareholders are a much more powerful force, keeping high vigil over a company's overall activities, especially management decision-making. In this context, the role of independent directors has also come directly under the shareholders' scanner; various pressures on companies to be ethical decision-makers has led to the emergence of a whole new model of governance. This has brought about new challenges for HR heads. The HR function itself is evolving and becoming broader.

How can HR facilitate good governance? HR can facilitate good governance within an enterprise by focusing on three main areas; firstly, HR can set and implement a robust framework for executive compensation/rewards. Secondly, they can drive performance evaluation beyond the management team and into the boardroom. Thirdly, they can ensure that there are robust systems in place for succession planning to ensure business continuity.

The broadening paradigms of the HR function are throwing open opportunity for torchbearers of human resource management to prove themselves once again. Corporate governance requires a broader perspective and the HR department often lacks in the same, thus resulting into HR lacking credibility within the organisation. This is a big challenge for HR to get into the zone of business opportunities. To ensure good governance in an organisation, HR and the top management should work closely.

There is much that an HR head can do to ensure good standards of corporate governance in a company. To facilitate good governance in an organisation, the role of HR should be developed and expanded beyond basic administrative support and associate engagement programmes to the role of a strong business partner and possibly a catalyst for change, thus enhancing leadership practices and creating ethical environments for business operations. HR should design a proper performance orientation system wherein performance processes ensure appropriate checks are in place to maintain the objectivity and transparency around performance measurement and progress and to be aligned with stakeholder interests in a sustainable manner.

It is a fact that the executive behaviour, attitudes and values determine the organisational culture. The challenges that HR is facing today in seeking an eminent and larger role in corporate governance are existing organisational prejudices around who should be involved in governance and a doubt on whether HR has the skills to play a credible role in governance also exists. There should be an acceptance that responsibility for corporate governance cannot be confined to boardrooms but needs to extend across the executive organisation.
