FACT SHEET

SABPP™
SA BOARD FOR
PEOPLE PRACTICES
Setting HR standards

HR GOVERNANCE

HR

INTRODUCTION

> *"Historically, most HR leaders have not been challenged to think formally about functional governance issues, so they operate with an implicit model. In those few instances where governance is made explicit, it is usually synonymous with compliance and does not address the central issue – improving leadership and management of a function that invests an average of 36 percent of operating revenue in compensation, health care, retirement, training, and other human capital investments.[1]*
>
> *With over a third of revenue at stake, it's time for HR leaders to develop an explicit model for functional governance – and to communicate the model proactively to involved stakeholders. This paper suggests how to formalize HR governance and shows how explicit governance can help HR executives uncover significant opportunities to improve functional performance and contribution.*
>
> *Source: Mercer Human Resource Consulting- Why HR Governance Matters Managing the HR Function for Superior Performance"*

The concept of HR governance is becoming an emerging organisational practice that enforces HR to design their functionality and strategy within a governance framework. By doing so the HR function contributes to the overall company's performance. According to the Mercer report, Why HR Governance Matters Managing the HR Function for Superior Performance , "HR governance is the act of leading the HR function and managing related investments to:

- optimise performance of the organisation's human capital assets;
- fulfill fiduciary and financial responsibilities;
- mitigate enterprise HR risk;
- align the function's priorities with those of the business; and
- enable HR executive decision making."

By aligning the HR governance to that of organisational activities, HR creates an interrelated relationship with business that forms the basis of its operating model and governance structure. Mercer provides a strong model of this concept on the next page:

❶ www.mercer.com

How HR governance aligns with organizational strategies

Business strategy

Human capital strategy
How will we secure, manage, and motivate a workforce that can execute business strategy?

HR function strategy
How will we deliver expected value and contribution to the organization?

HR operating model

Sourcing
What activities will we do ourselves/have others do?

Infrastructure
What capabilities are needed to fulfill HR's strategy?

| Process | Technology |
| People | Organization |

Governance
How will we lead the function and manage related investments?

Performance monitoring and renewal

Source: Why HR Governance Matters Managing the HR Function for Superior Performance[2]

However, the South African contextualisation of HR governance is closely aligned to another popular governance document, and that is King IV. Here again the overarching theme is governance, however the significance and inclusion of HR governance is very visible. The message to drive HR governance is an important part of the business strategy.

In this Fact Sheet, we provide an overview of the broad concept of corporate governance, explain how HR governance serves as one of its key components and discuss this relationship in the context of King IV. Finally, we demonstrate the role that the SABPP Standards Model and the SABPP HR Audit process play in providing the Human Resource (HR) profession with a relevant and tailored framework to apply in achieving their HR governance objectives.

The impact that the management of both the organisation's people resources and the management of its HR function has on the effectiveness of corporate governance is becoming better appreciated as the realisation dawns that 'people risk' is a key element of many of the major risk categories concerning the typical business today. HR is the people, policies and process portfolio that falls in line with the corporate governance framework of the organisation, however the clear connection is missed as *"Human Resource Management (HRM) was established to prevent, limit or mitigate the risks and associated with non-compliance"[3]* , which is governance.

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❷ www.mercer.com

❸ Human Resource Management in Government: A South perspective on theories, politics and processes, A. Grobler, Chapter 16: Human resource governance

> *"Human Resource and particular skills, non-compliance and corruption are the three top issues currently keeping Chief Audit Executives awake at night."*
>
> Internal Auditors of South Africa-2016 Corporate Governance Index(3)

Forming one of three top issues within the 2016 Corporate Governance Index (3)[4] it is clear that HR governance is a requisite to ensure corporate governance compliance, and we have seen this encouragement with the launch of the King IV report in November 2016, with some reference to HR issues. Mercer[5], identifies 5 key elements within the HR governance system which is demonstrated in the model below that assists HR to deliver their HR governance system:

Elements of effective HR governance

HR Functional Governance

Structure and Accountability · Effective Councils · Philosophy and Operating Principles · Core Management Activities · Performance Monitoring
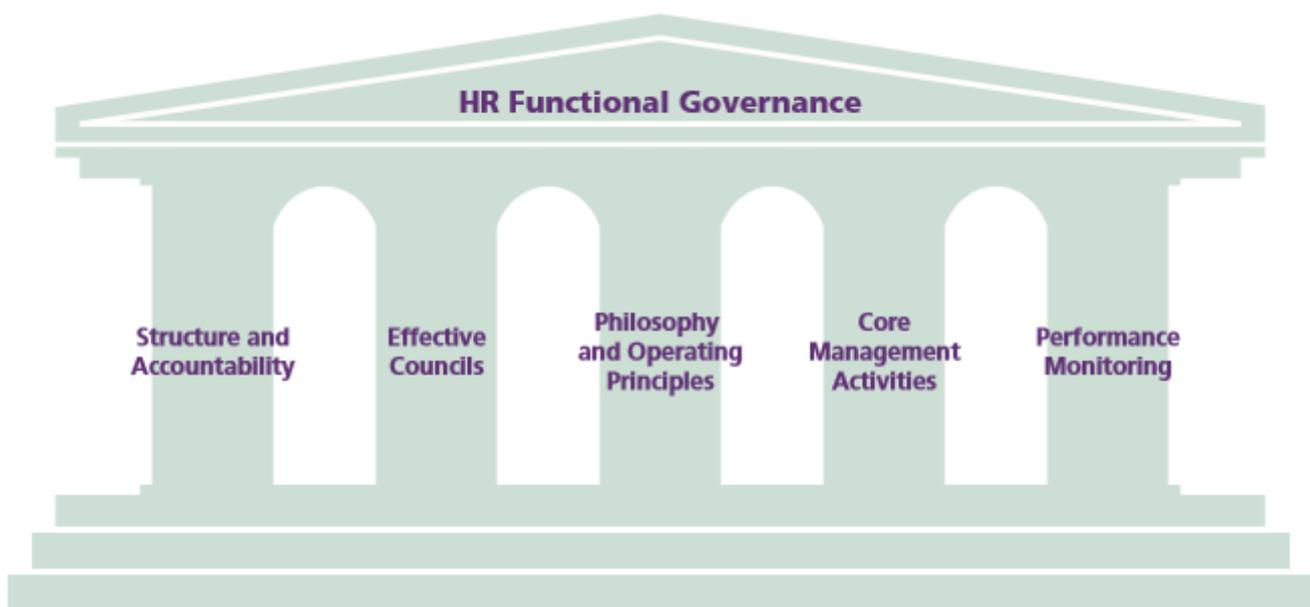
These elements function distinctly from each other, however are interdependent in its functioning and are created to govern explicitly and effectively. Explained individually, these elements support the importance in HR governance and its interlink to the HR and business strategy. According to Mercer[6] they are explained as follows:

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❹ **Internal Auditors of South Africa – 2016 Corporate Governance Index (3)**

❺ **www.mercer.com**

❻ **www.mercer.com**

Structure and accountability outline the design of the guiding group (the council) itself as well as its relationships with involved stakeholders. A charter document usually articulates the council's areas of focus based on strategic, operational, and functional accountabilities. The charter may also address roles, meeting structures, and protocols.

Effective councils link strongly to structure and refer to the personal, interpersonal, and group effectiveness of the council and other involved stakeholders.

Philosophy and operating principles describe, at a minimum, the function's risk tolerance, approach to delegating authority, and expected level of management autonomy at business unit or geographic levels.

Core management activities include HR strategy development, business planning, oversight of rewards plans and programs, HR resource allocation, and HR staff development/leadership succession. Through these core management activities, the council sets direction and priorities, ensures effective execution over time, and enforces internal controls.

Performance monitoring refers to the framework and metrics used to evaluate and communicate the function's operational effectiveness, compliance, and contribution to business success.

The role of HR governance within corporate governance

The difference between Corporate Governance and HR Governance is that the two operate on the same principles which refer to the rules of the game especially with regards to effective leadership, ethics, transparency and compliance. Corporate Governance concerns itself with the company as a corporate citizen. In this case, it focuses mainly on the probability of the company by guarding finances, making sure there is compliance and accountability. Therefore, corporate governance is regarded as the rules that govern the behaviour of a vehicle (corporate citizen).

When differentiating between HR governance and corporate governance, the questioning goes deeper in defining *"governance"* itself. According to Moore (2011) *"Governance in the simplest terms refer to the practices and processes that are put in place to help institutions achieve their goal ethically and in the best interest of the stakeholders."*[7] The SABPP (2009:11) states "that governance essentially concerns people and how they behave and that it is required at all levels of an institution." Governance always identifies with compliance and what is required to ensure that compliance is upheld. This could be through frameworks, processes, procedures etc.

Governance is further defined in corporate governance. According to King IV[8], corporate governance is defined as the exercise of ethical and effective leadership by the governing body towards

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[4] **Human Resource Management in Government: A South perspective on theories, politics and processes, Ernst Van der Westhuizen (editor); A. Grobler, Chapter 16: Human resource governance**

[5] **www.iodsa.co.za**

the achievement of the following governance outcomes:
- Ethical Culture – creating a culture of doing good for self and others without harm to the environment, society or the economy. Ethical values guide decision making and conduct.
- Good performance – the achievement of strategic objectives and positive outcomes for the organisation, economy, society and the environment.
- Effective Control – achievement of the desired outcome with minimum expenditure of time, resource, waste and effort.
- Legitimacy – the adherence to legislative requirements.

Corporate governance is positioned not as a strategy but as a systematic approach to doing business. However, HR governance should be a strategy within HR. Linking back to the Mercer model, by creating structure and accountability with effective council, the HR governance strategy allows for inclusion and effective delivery towards the business strategy. The implementation of a corporate governance strategy enables HR to create methods of delivery that are measured within a governance structure. The strategic intent will then be achieved through HR governance with regards to culture, performance, controls and legitimacy.

King IV acknowledges that organisations exist to create value and furthermore that every stakeholder expects value in a different form. King IV requires the board to acknowledge the value requirements of all stakeholders and not just the providers of financial capital. Shareholders may expect value in terms of ROI or increased market share. Employees may desire increasingly higher remuneration or benefits. Communities may desire job creation. Per King IV, value creation is a result of business activities which increase, decrease or transform the so-called *'Six Capitals'* in an organisation. The Six Capitals employed by business are described as Financial, Manufactured (buildings and infrastructure), Intellectual (intellectual property and institutional knowledge), Human (employees), Social and Relational (trust and other relationships with communities and other stakeholders), and Natural (water, electricity, air, coal, minerals etc). A strong HR focus can be found in at least three of the Six Capitals:
- Intellectual - with the knowledge created and held by the people of the organisation.
- Human - relates to the actual resources or people of the organisation and that create the productivity and sustainability of the business.
- Social and Relationship - drives the point that without people this is not sustainable. The business is built on the capacity and relatedness of people, and is an important element of an organisation's success. People create value, and since three of the Six Capitals are people-dependent, the importance of the HR function expanding its focus to embrace governance is clear.

In comparison, Mercer includes a dimension of strategy through its element of core management activities that includes the *"HR strategy development, business planning, oversight of rewards plans and programs."* By incorporating the Six Capitals with the Mercer model, the 5 elements can feed into the management of the Six Capitals.

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⑨ The International Integrated Reporting Council – Accessed online 11 April 2017

⑩ www.mercer.com
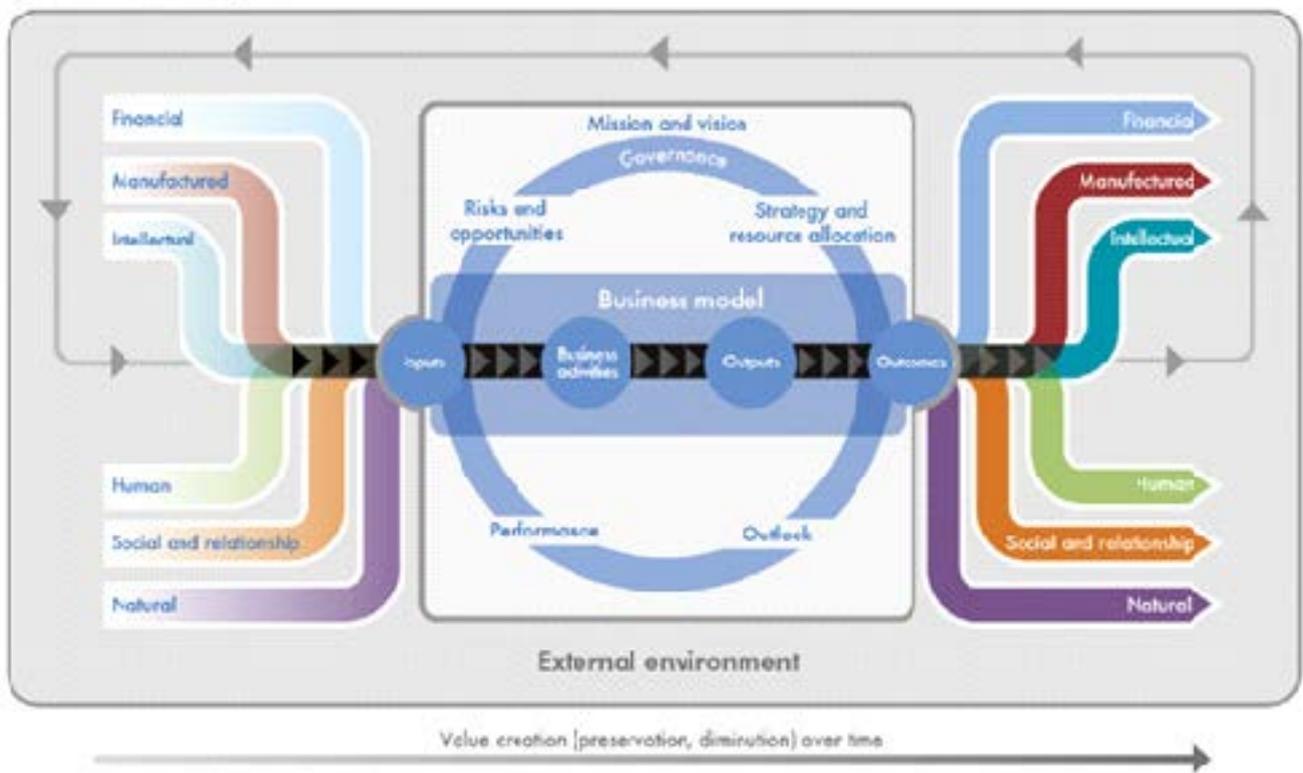
The International Integrated Reporting Council Value Creation Process 11

Another way of understanding corporate governance is by understanding that its *"purpose is to promote integrity, transparency, accountability and disclosure, with a view of protecting investors and enabling improved relations with various stakeholders."[12]* In a nutshell it provides the foundation to mitigate and manage risk.

In essence HR governance is the human capital dimension of the corporate governance framework. Heslop[13] et al (2003:13) defines "HR governance as the act of leading the HR function and managing related investments to:

• Optimise performance of the institution's human capital assets;
• Define stakeholders and their expectations;
• Fulfil fiduciary and financial responsibilities;
• Mitigate enterprise HR risk;

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[11] http://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf)

[12] Jhunjhunwala & Mishra (2009) 62; Padgett 2012:206

[13] Human Resource Management in Government: A South perspective on theories, politics and processes, Ernst Van der Westhuizen (editor); A. Grobler, Chapter 16: Human resource governance

- Align the function's priorities with those of the business; and
- Enable HR executive decision making."

The SABPP (2009:1) further expanded the definition by explaining *"the need for an HR governance system that could assist in dealing with many of the HR problems and challenges encountered by South Africans, such as HR risk management and corporate ethics, which appear to arise from ineffective corporate governance."* By understanding the integration and relationship between HR and corporate governance, they function in support of one another and not in isolation.

HR governance is a systematic approach that creates a legitimate platform to achieve the HR strategy and objectives, that are directly aligned to achieve business objectives. This golden thread of governance informs the operational capability of HR to achieve and deliver on its outcomes.

> *"Mervin King is of the opinion that 'good human resource management is imperative for good governance'."*
>
> SABPP: 2009

HR Governance is the effective leadership of the HR function in an ethical and sustainable way. HR Governance focuses on the rules that govern the main components of the corporate entity referred to as the people. Hypothetically, this may be referred to as the engine. The main concept here would centre itself on compliance with regards to recruitment making sure the right candidate is recruited whilst adhering to HR best practice. In other words, the main difference between Corporate Governance and HR Governance is that the former governs the behaviour of the company as a corporate citizen whilst the latter quality assures that people are in line with the key principles of governance accompanied with HR best practices. The two constructs are strategically related due to the fact that an improvement in the employee performance will automatically translate into an improvement in organisational performance.

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[8] **https://www.bcgperspectives.com/content/articles/people-organization-smart-design-for-performance**

[9] **https://centres.insead.edu/blue-ocean-strategy/**

[10] **www.forbes.com Uber, Disruptive Innovation and Regulated Markets (2016)**

HR Governance incorporated within the SABPP Standards

The promotion of HR governance can be identified in Standard Element 3: HR Risk Management which is defined as:

HR Risk Management is a systematic approach of identifying and addressing people factors (uncertainties and opportunities) that can either have a positive or negative effect on the realisation of the objectives of an organisation.

HR professionals have to analyse and identify potential risks and mitigate them accordingly. By utilising the data available, like employee information, skills data, employee relations statistics, policies and processes; the HR portfolio can map potential risks and find solutions to mitigate them. Corporate governance is about the management of risk, and HR risk is the prominent aspect in HR governance. The incorporation of HR risk within the HR reporting framework builds credibility as well as alignment to business for the HR portfolio.

[11] **https://www.bcgperspectives.com/content/articles/people-organization-smart-design-for-performance**
[12] **https://centres.insead.edu/blue-ocean-strategy/**

SABPP HR Systems Standar Model

HR MANAGEMENT SYSTEM STANDARDS
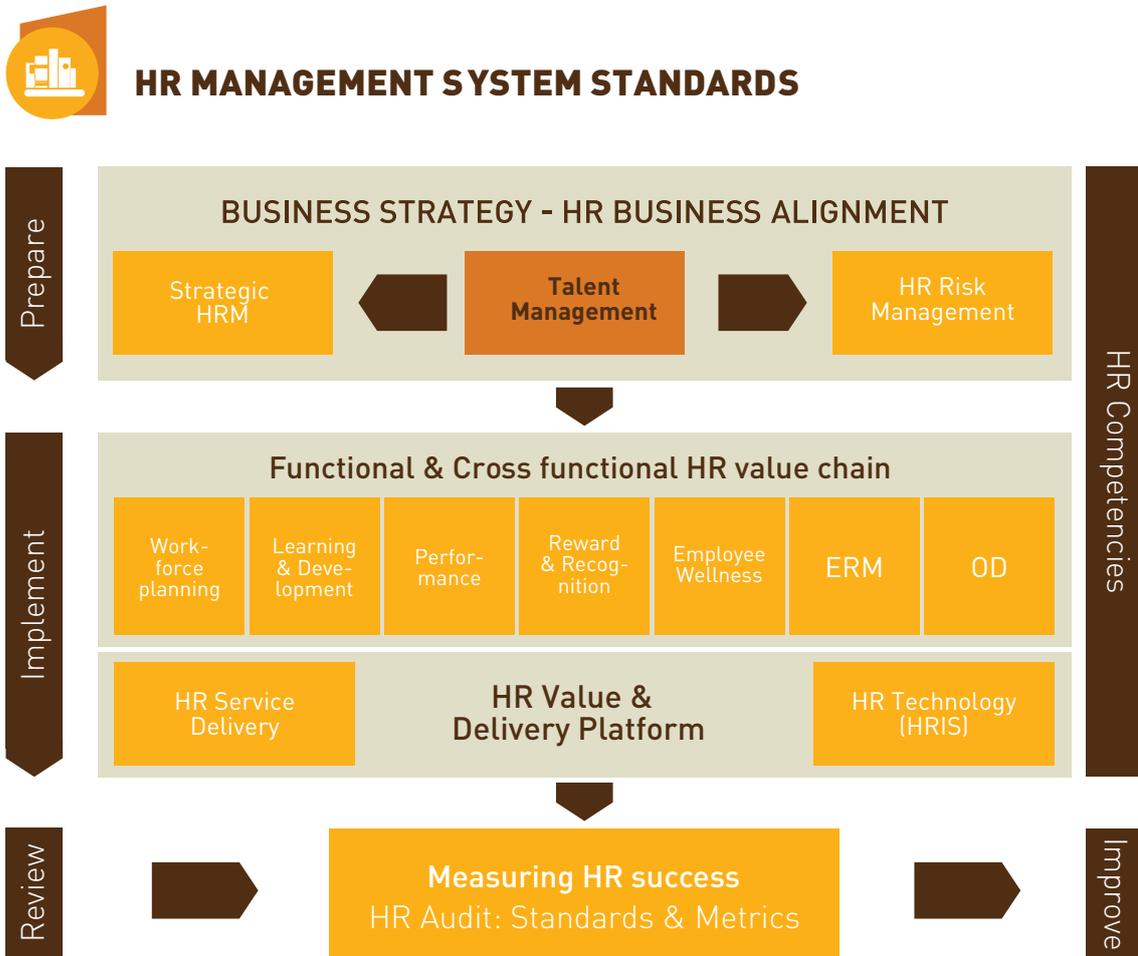
The SABPP also recognises HR Governance under their HR Standard Element 13: HR Measurement – HR Audit: Standards and Metrics, which is defined as:

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[13] https://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html
[14] www.deloitte.com/us/about

> *HR measurement is a continuous process of gathering, analysing, interpreting, evaluating and presenting quantitative and qualitative data to measure, align and benchmark the impact of HR practices on organisational objectives, including facilitating internal and external auditing of HR policies, processes, practices and outcomes.*

In 2014 the SABPP launched the development of the HR Audit process, which was created to support HR growth and improvement within its framework, processes and policies. The audit is specific to HR and includes HR specialists and professionals that have been trained by the SABPP as HR auditors.

Until the establishment of the SABPP HR Audit process, businesses relied upon auditors from the financial or risk background to audit their HR processes. This meant that specialists with little HR background were defining success criteria on our profession's behalf, and that HR practitioners had little ownership for the risk management framework being applied to their work. The profession required experts in the field, with experience and expertise within various organisations to audit the HR function and its systems. The results have been positive with audited organisations supporting their HR function's improvements.

"GRC (governance, risk and compliance) provides a perfect opportunity for CHRO's (Chief HR officers) and HR organisations to move beyond their traditional administrative role and a seat at the strategy table- providing HR with a level of credibility and respect that is long overdue."

Deloitte(2008) Taking the reins: HR's opportunity to play a leadership in governance, risk management and compliance.

⑮ https://www.bcgperspectives.com/content/articles/people-organization-smart-design-for-performance

South African HR Competency Model
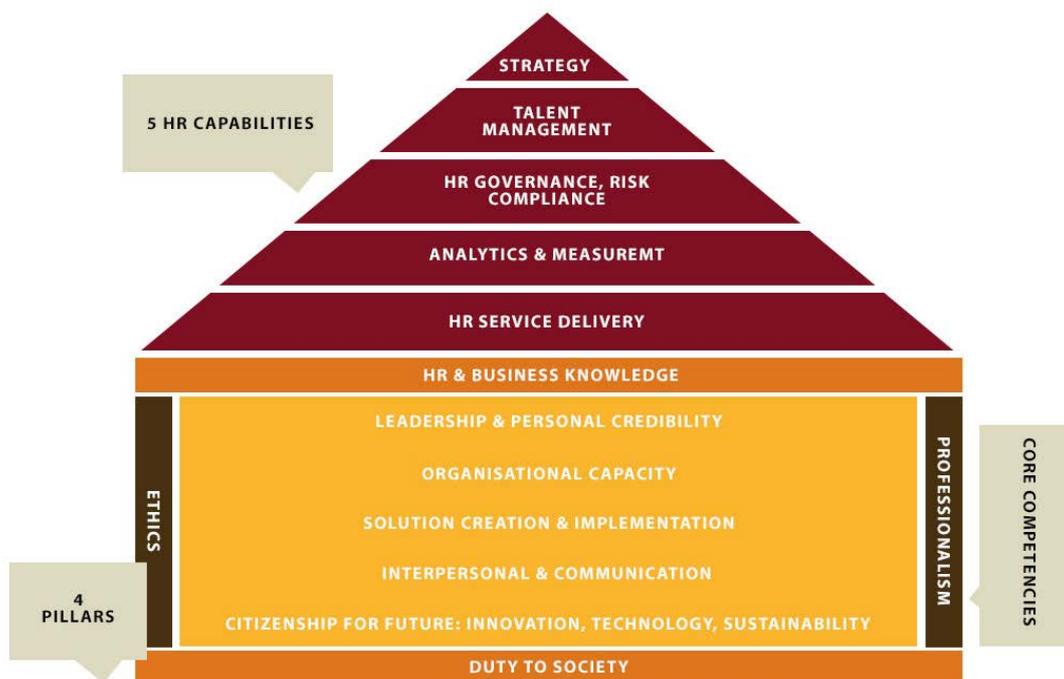
As a core competency prescribed within the Competency Model, HR Governance forms an important capability within the HR strategy. Since HR is a strategic function within the ecosystem of an organisation, it must understand its responsibility in aligning itself to Governance. The repercussions of non-compliance are too critical, and hence makes it an integral competency.

The SABPP thus encourages all HR professionals to understand, drive and implement HR Governance within their organisation and strive for excellence by improving their systems and processes continuously.

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[16] https://www.bcgperspectives.com/content/articles/people-organization-smart-design-for-performance/?chapter=2#chapter2

HR governance implementation

There have been many models that have been created to incorporate HR governance within the organisation's governance framework, however to ensure South African context suitability, the HR governance system for South African institutions (Grobler et al (2014:177)[14] will be used to explain the implementation of the framework.

HR Governance System for South Africa
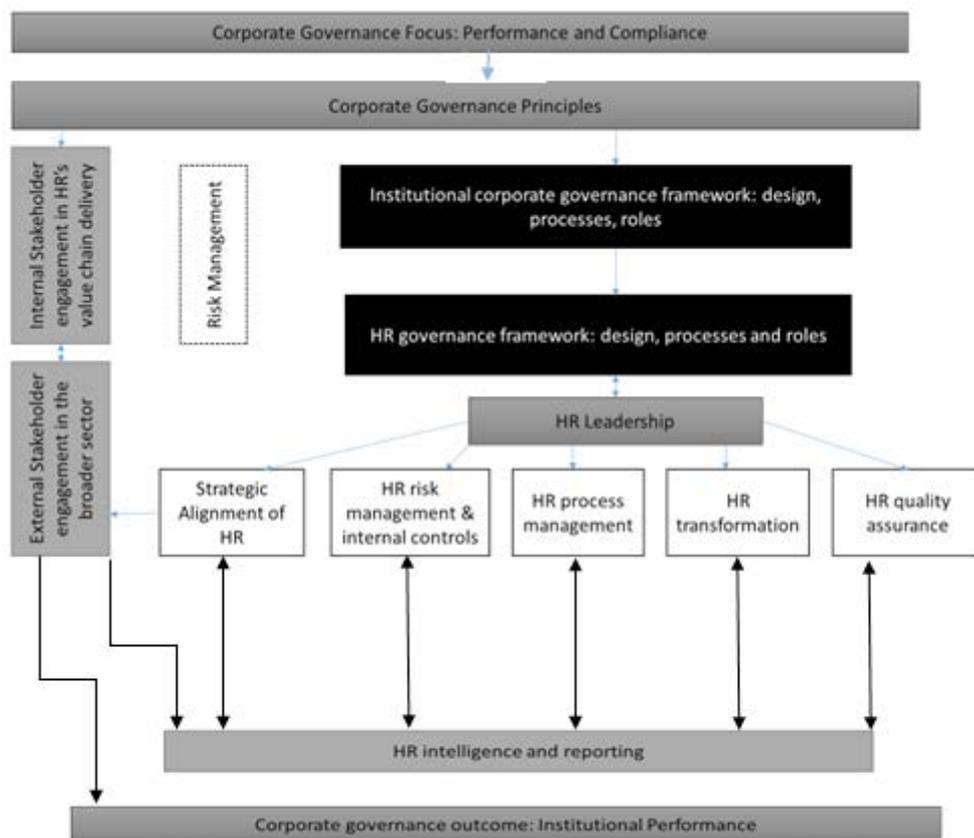
Source: Human Resource Management in Government: A South perspective on theories, politics and processes,

Ernst Van der Westhuizen (editor); A. Grobler, Chapter 16: Human resource governance

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14 **Grobler,A, Hydra, A & Bezuidenhout, ML 2014. Governance and HR: the development of a framework for South African organisations. Journal of Contemporary Management 11:164-184**

With all the concern, today around corporate governance, effective HR governance also facilitates compliance with legal and ethical obligations relating to people management practices. Having a proper HR governance structure in place can even impact the way it does business and makes decisions at the highest levels – right up to and including its board of directors.

Kreissl,B (2012) What HR governance?

The HR governance system's starting point is the overall corporate governance focus, which is to ensure performance and compliance. King IV clearly outlines recommendations that while the board of directors may be ultimately accountable for corporate governance, responsibility is cascaded to functional areas of the business. HR is therefore responsible for ensuring that the governance outcomes are realised.

KingIV is now the foremost governance document in South Africa and it sets the tone, principles and guidelines for corporate governance. In the latest version, the scope of the King recommendations has been expanded to apply to a wider range of organisations than was previously the case.

The system incorporates the governance principles and then moves towards the cascading of governance within HR's alignment to the institutional corporate governance framework.
The alignment of design, processes and roles are important in emphasising HR's leadership in corporate governance. Thereby ensuring good performance, another of the *"Governance Outcomes," in King IV. This would require HR to ensure that organisational performance is cascaded to departments, teams and individuals. HR leadership, as mentioned in the system, is allied to King IV's "Effective Leadership"*, where it is citing the need for an understanding of the entire business. The HR functions within the system is acknowledged as "HR leadership"[15] and is unpacked as follows:

• HR Risk Management: risk should be aligned to that of the organisation, and should focus on activities at all levels, strategic and operational. All risks should be assessed and categorised accordingly (high, medium or low). The HR department should have a risk register that should include HR related risks and controls.

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[15] **Human resource governance Human Resource Management in Government: A South perspective on theories, politics and processes, Ernst Van der Westhuizen (editor); A. Grobler, Chapter 16: Human resource governance**

HR professionals must proactively manage HR as well as operational risk through the design of sound HR risk practices and contingency plans to ensure business continuity.

SABPP 2009

HR internal controls and HR quality assurance: should be tested through self-assessment and independent audits. This includes both internal and external audits. Regular reviews are encouraged as well as audits of the standards. Development should be reflected as well as changes in law. A root-cause analysis should follow when areas of non-compliance are identified.

The recommendation of HR audits both internally and externally is supported. This can be interrelated with HR quality assurance, where the SABPP (2009) *"recommends that HR professionals work harder on the financial side of HR to develop metrics and more sophisticated HR measurements around cost and benefit analysis pertaining to absenteeism and wellness programmes, retention schemes and the business impact and return on investment of HR interventions."*[16]

The purpose of the SABPP HR Audit Unit is to offer an independent HR Audit Service to companies against the 13 standard elements of the National HR Management System Standard to provide independent, external verification and assurance of the quality, consistency and governance of an organisation's HR systems. These aspects contribute to the achievement of governance outcomes defined within King IV.

• The HR Audit is designed to assess the auditee's current strategies, values, structures, practices, policies to ensure alignment and support of the business objectives through best HR practice principles of preparation, implementation, review and improvement. Therefore, continuous improvement of systems and processes is the desired outcome.

Between 2014 and 2017 the SABPP completed 20 audits and recognised the outstanding improvements by companies after the audits. The picture of audits aligned to the standards are reflected below and shows that the gap in any of the standards impacts the overall measurement of HR success. Going a step further, the audits proved to be a tool that improves the delivery of HR with direct links to the business expectation. The relatedness drives Mercer's model in that structure is well defined with accountability given to involved stakeholders. Protocols, policies and processes will be assessed and driven to meet the overall business strategy match. The risks will be identified and mitigation plans developed to drive the HR strategy, and the knock-on effect is that the business strategy will materialise. Performance monitoring will be in line with the HR governance

[16] **SABPP: Comments on the King III Code and report for South Africa: HR the way forward.**

AUDITED RATINGS – OVERALL AVERAGE
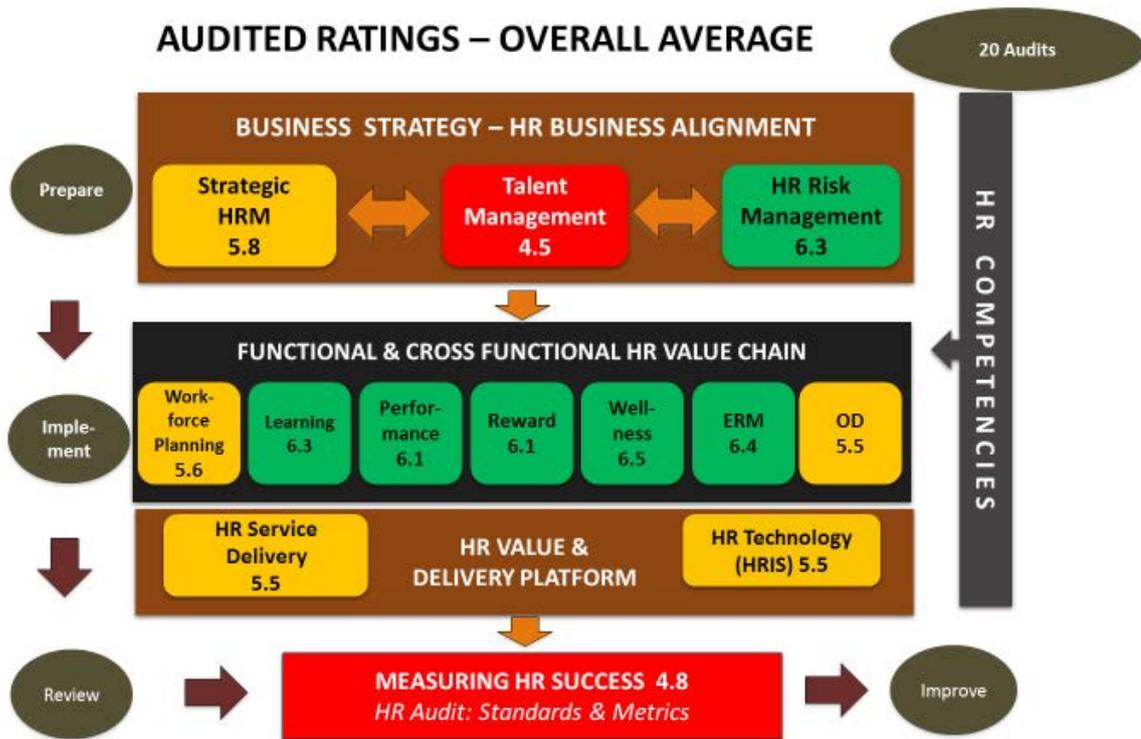
Source: SABPP: HR Audit (2017)

- HR process management: looks at the reporting structure within the HR department, as well as the centralisation and decentralisation of functions. HR delegations are important to note in order to address:

    - Anomalies and concerns;
    - Quality and speed of service delivery;
    - Empower/motivate and develop managers within HR and the institution.

- HR transformation: "One of the required transformations is that HR professionals should build their own capacity and competence into executive business and HR strategies. In particular, higher HR skill is required in the areas of leadership, governance, remuneration and training."[17]

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[17] http://www.thesundaytimes.co.uk/sto/public/Appointments/article1614683.ece

Key elements that drive the HR governance framework within organisations

Every organisation strives to practice good governance and compliance, and this can only be achieved through the cascading of governance outcomes. In order for HR governance to achieve its rightful status within the organisation's governance structures, it requires leadership buy-in. A key element that drives HR governance is the strategy. The business strategy drives the business vision, however the HR strategy drive the people to achieve the vision. Within the framework of the HR strategy, the governance strategy emerges to drive HR's functionality and delivery. It assists the strategy to deliver on culture, performance, legitimacy and leadership. The strength of the HR strategy depends on the governance it incorporates.

According to Grobler (2016)[18] effective leadership, sustainability and corporate citizenship are key aspects of the HR governance system. HR should drive the agenda of HR governance to the leadership of the organisation by identifying, managing and rectifying risks. Effective leadership should ensure that the company is compliant in governance as a whole, however encourage, advocate and support HR governance to the employees. The other aspect is that of aligning effective leadership as part of the overall HR strategy.

Effective leadership would want to grow ethical culture, uphold the code of ethics, and comply principles of governance, that would ultimately drive good performance, create effective control and legitimacy. The custodian of leadership is HR, and the link is driven throughout the HR governance framework. Through proper processes and policies, the governance of performance monitoring and metrics can be achieved, and function within the HR governance framework.

Apart from culture and leadership, HR drives the soul of ethics within the organisation with a code of ethics, i.e. the behaviour and code that is expected from the employees. Since governance is closely related to ethics, the HR governance system will drive ethical behaviour and conduct. King IV highlights that ethical behaviour and culture ultimately require a code of conduct, monitoring and a methodology for dealing with breaches. HR must ensure that the code of conduct is included in employment contracts. Disciplinary procedures should indicate how to deal with breaches. Organisational development interventions should be initiated to monitor and develop ethical culture which is one of the desired *"Governance Outcomes."*

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[18] **Human Resource Management in Government: A South perspective on theories, politics and processes,**

> *The code also bring to the fore, the role of ethical and effective leadership. Today's leaders must deliver seamless strategy and operational excellence. This leadership role encompasses providing directions to organisations through strategy, giving effect to that strategy through the development of appropriate policies; providing oversight over managements implementation of the strategy and demonstrating accountibility and transparency through disclosure. The discharging of these duties and the adoption of the King IV code, provide an organisation with the necessary building blocks for a sound foundation of good corporate governance.*

Corporate citizenship beckons HR professionals to look beyond the internal environment, but to look into the impact of the organisation on society and the environment. HR governance will ensure that this is upheld in areas of transformation like "BEE, human and social capital, and health and safety."[19] "Several HR areas are addressed in the section dealing with the organisation as a corporate citizen. Specific areas mentioned are sustainable development, human rights, impact on communities, fair labour practices, remuneration, employee well-being, employee development, employment equity and compliance to legislation. These areas are fully covered in the National HR Standards, and the HR standards are therefore a useful guide in ensuring that these areas are sufficiently covered. In addition, HR should also play a stronger role in the prevention, detection and response to fraud and corruption as this area is specifically recommended in King IV™. Likewise, HR reports will be useful as inputs into reports for the disclosure in corporate citizenship."[20]

Key HR processes are completely in sync with their governance objectives as HR is regulated by more legislation than many other functions in an organisation including the Labour Relations Act, Basic Conditions of Employment Act, Skills Development Act, Employment Equity Act and in most instances the Occupational Health and Safety Act and Broad-Based Black Economic Empowerment Act.

Another element and a theme of King IV relates to the concept of integrated thinking which promotes the connectivity and interdependence between a range of factors that enable an organisation to create value. Integration thinking requires the HR department to integrate HR as advocated with the National HR Standards Model, but also integrate with other functional departments to ultimately create value and support corporate governance. This mindset ensures that HR governance and corporate governance are integrated.

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[19] **Human Resource Management in Government: A South perspective on theories, politics and processes, Ernst Van der Westhuizen (editor); A. Grobler, Chapter 16: Human resource governance Ernst Van der West-**

[20] **https://hrtoday.me/2016/06/28/the-hr-implications-of-king-iv/**

HR governance: A potential shared agenda and priorities

HR considerations	Issues	Business/Finance considerations

HR considerations
- Performance management
- Incentive compensation design and administration
- Workforce engagement
- HR function effectiveness

- Integration planning
- Change management and communication
- Benefit harmonization

- Design and administration of benefit programs
- Culture supporting risk management
- Appropriate incentive alignment

- Workforce segmentation
- Total Rewards Optimization
- Benefit cost reduction and risk mitigation
- HR function effectiveness
- Health care cost management

Issues
- Performance and incentive comp alignment
- Software-as-a-service
- Performance enhancement
- HR/Human capital metrics
- Organization readiness assessment
- M&A effectiveness
- M&A Playbook
- Pension de-risking
- Risk mitigation
- Benefit financing
- Cost optimization
- Health care strategy/ Exchanges

Business/Finance considerations
- Establishing key performance indicators
- Managing performance scorecard
- Alignment of HR programs
- Workforce productivity
- Shared services delivery

- Deal valuation
- Capital and accounting issues
- Monitoring synergy targets
- Benefit due diligence

- Management, accounting and monitoring of benefit liabilities
- Funding reward programs
- Appropriate incentive alignment

- Competitive workforce infrastructure
- Cost management of people programs
- Risk and volatility management of people programs

Towers Watson, in their article A New Strategic HR Model: Preparing for What's Next (2013)[21], illustrate the potential for alignment between HR and Business.

Current Status of HR Governance

Human Resources
According to the Institute of Internal Auditors of South Africa – 2016 Corporate Governance Index[22], 26% of the respondents "strongly agreed" that their organisations had suitable Human Resources. Only 17% of all respondents "strongly agreed" that human capital is being used optimally. 46% *"somewhat agreed"*. Using these statistics as guidance, the room for HR to increase its impact on the organisation's effectiveness is considerable.

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[19] Towers Watson – A New Strategic HR Model: Preparing for What's Next (2013)

[20] Institute of Internal Auditors of South Africa – Corporate Governance Index 2016 Accessed online 12 April 2017

Typical question: Your human capital resources are optimally utilised

Figure 15: Breakdown of various responses

Strongly agree, 17
Strongly disagree, 10
Slightly disagree, 17
Neither agree/disagree, 10
Somewhat agree, 46
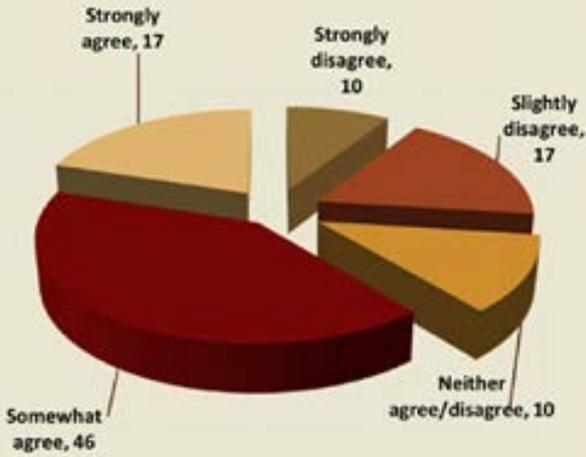
Figure 16: Respondents who strongly agree (% per sector)

Sector	%
Other	22
Professional services firms	20
Non profit companies	11
SMME	0
Privately held large company	18
Publicly held company	45
State Owned Company	10
Municipal (Local)	14
Municipal (District)	0
Municipal (Metro)	17
Provincial Government	25
National Government	15
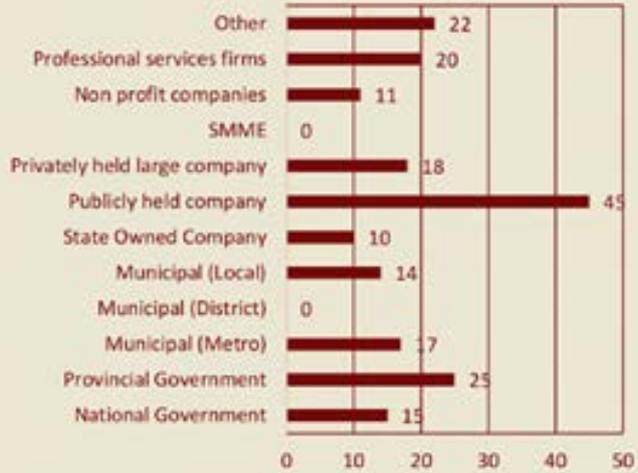
Leadership Performance
Only 39% of respondents *"agreed"* that the executive team functioned optimally in delivering the strategy of the organisation. 40% *"somewhat agreed"*.

Typical question: Your executive team is functioning optimally in delivering the strategy of the organisation

Figure 7: Breakdown of various responses (%)

Strongly disagree, 6
Slightly disagree, 7
Neither agree/disagree, 7
Strongly agree, 39
Somewhat agree, 40
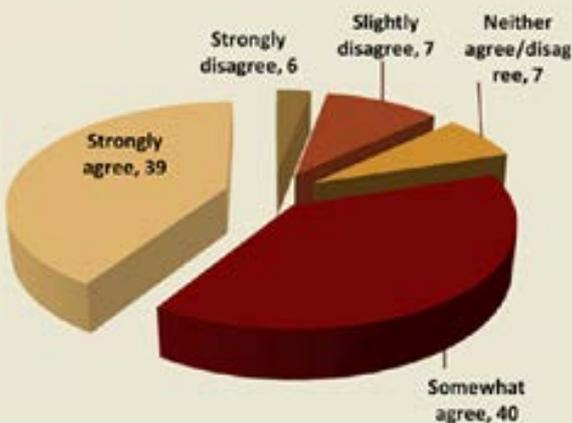
Figure 8: Respondents who strongly agree (% per sector)

Sector	%
Other	44
Professional services firms	40
Non profit companies	33
SMME	25
Privately held large company	45
Publicly held company	50
State Owned Company	28
Municipal (Local)	23
Municipal (District)	40
Municipal (Metro)	67
Provincial Government	40
National Government	35
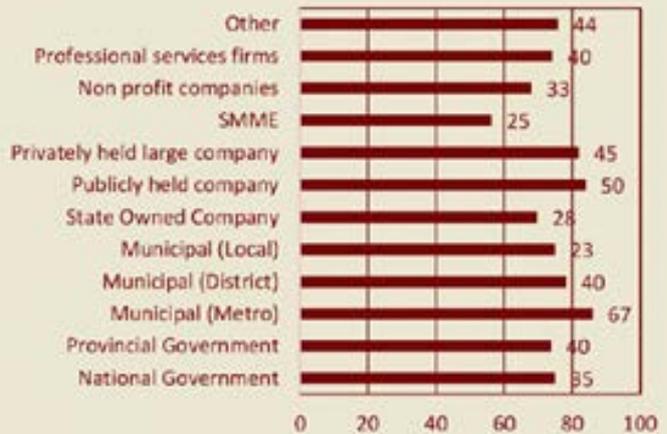
Interestingly Publicly Held Companies outperformed all other sectors sampled. Publicly Held Companies are compelled to comply with King III (King IV effective 1 April 2017) by virtue of the Companies Act. The correlation between compliance and performance may be an interesting aspect to investigate.

International Perspective

According to award-winning educator, lawyer, consultant, and author Richard Leblanc, HR is largely excluded from the formal American Corporate Governance discussion due to the fact that HR professionals in America are not considered professionals as their finance and legal counterparts. This is due to not belonging to a Professional Body or being compelled to comply with a set of standards or audit requirements.[23] These comments may provide insight for the failure to formally recognise the contribution of the HR Profession within King IV as well as that many Boards in South Africa don't appoint HR Talent in a Non-Executive role as often as Legal and Finance Professionals.

"HR Auditing crosses the boundaries between HR management and auditing… it can be a suitable method for evaluating the contribution of HR activities to organisational objectives assessed on the basis of value for money."

Abstract from Dissertation; Chris Andrews: Bond University.

HR, the Governance factor

By now the integration of King IV within the Corporate Governance strategy is well received and familiar, however the HR Governance aspect requires more advocacy. With many pending factors that drive the HR portfolio within organisations, governance should be acknowledged as a central driver. There are many things that HR professionals can implement to drive HR governance within their organisations:

• Understand the difference between Corporate Governance and HR Governance. It is noted that HR Governance is gaining momentum, however it is vital to know how to align, design and implement it. *"HR governance is not distinct from, but rather a core component of, good corporate governance - in the same way that financial governance or risk governance are also core components. Formal HR governance includes risk management, as well as policy and program governance. Indeed, HR governance also includes the internal oversight and management of an organization's HR strategy, programs, practices, and outcomes, through clearly defined roles, responsibilities, and accountabilities both down and across the enterprise. In addition, HR governance involves the HR business model, and the organisation, measurement and management of the HR function, along with the related implications for its management and employees."*[24]

• Review models of HR governance like Mercer and Grobler, and adapt the most suitable for your organisation. These models can be tweaked to meet the demands and needs of the organisation.

• Create alignment to the organisation's governance framework with HR policies, procedures and issues. A good example is a code of ethics that encourages business integrity and behaviour. Here we see an integration between a code and the culture it seeks to create. Kennedy-Glans and Shultz (2005)[25] , identifies HR as the key initiators in identifying emerging and innovative trends or practices, who then align to the code of the business. Since a code of ethics is linked to the organisation's core values, which should in turn drive ethical behaviour, the foundation is always a strong governance one. Ramani Naidoo, in her book Corporate Governance: An Essential Guide for South African Companies, shares the benefits of a code of ethics [26]:

• Study and apply the King IV™ Report and code at your organisation (download it from www.iodsa.co.za).

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[24] http://irc.queensu.ca/articles/hr-governance-deloitte-point-view
[25] Corporate Integrity: A toolkit for Managing beyond Compliance. Donna Kennedy-Glans and Bob Schultz, 2005
[26] Corporate Governance: An Essential Guide for South African Companies, Ramani Naidoo, p140, 2002

- Help maintain a moral course in times of fundamental change, cultivate strong teamwork and productivity, and support employee growth;
- Help ensure that policies and procedures are legal and ethical. Potential ethical issues and violations can be detected early in order that they can be reported or addressed;
- Help manage values that are associated with quality management, strategic planning and diversity management, and promote a strong public image for business;
- Legitimise managerial actions, strengthen the coherence of the organisation's culture, improve trust in relationships between individuals and groups, support greater consistency in standards and quality of products and cultivate greater sensitivity to and awareness of the company's vision and values.

- Understand that HR governance enables the HR strategy and function.
- Create the councils that develop, maintain and support HR governance and hold them accountable to the governance implemented.
- Performance monitor and measure your outcomes within the governance strategy.
- Create a communication strategy that assists in informing the company about the HR Governance plan.
- Drive company culture by being a leader in governance. HR must lead by example, and the scrutiny of the HR portfolio must be done to improve the governance alignment.
- Do not work in isolation, share information with other departments and assist in their governance strategies.
- Ensure King IV elements of ethical culture, good performance, effective control and legitimacy are included and upheld within the strategy and implementation.
- Research the implications of compliance vs non-compliance. Mitigate the risks of non-compliance.
- Train your Board and employees. Create induction programmes that meet the training needs for governance. Ensure that updates are communicated and timeous. Utilise your communication platforms that created accessibility to information like the King IV, HR Governance strategy, Code of Ethics etc.
- Hold your leadership accountable for governance, both corporate and HR governance. "Boards need to ensure that contemporary HR governance is formally embedded in existing structures and practices, such as an HR/compensation standing committee, or in its absence, through another standing committee such as an executive or governance committee. Boards must also ensure that the CEO has implemented an effective internal HR governance framework and strategies that reflect relevant industry economics, desired culture, workforce dynamics, and leadership preferences. Another important role for Boards is understanding the various HR risks facing the organisation, and being satisfied that management priorities, policies, and practices effectively respond to strategic, regulatory, and operational needs. Successful execution would generally require effective risk management and performance measurement

practices, combined with effective dialogue with the CEO and CHRO."[27]
- Audit your HR portfolio and measure it. Drive continuous improvement by auditing your systems, processes and policies. Use the results to close gaps, strengthen and develop the HR strategic intent. "The third pillar is to implement a regular review or an audit of both practice and policy. Periodic review of policy is built into the culture of the organisation to ensure that both policy and practice continue to be aligned to the organisation's vision, mission, goals and objectives. In addition to periodic audits, policies and practices need to be updated to reflect all changes to legislation as well as innovative human resources practice that will help to govern the organisation to further serve the interest of all stakeholders."[28]
- Report on HR Governance at Exco and Board.

The HR Governance evolution ... to revolution

HR is functioning within the age of evolution and disruption, and the environment will embrace the changes but will signal for fairness, transparency and governance to represent the change. HR principles and values will drive this change and ensure the smooth transition by upholding the governance within the culture.

Since governance has been the footing in building the organisation's reporting and compliance, it is only robust if implemented and understood by its employees. The pull towards HR governance is the glue between corporate governance and the employees. The evolution within HR must ensure sustainability within business and people. By aligning and steering the governance in elements of ethical culture, good performance, effective control and legitimacy, HR would have revolutionised its function and capability.

The SABPP have been the thought leaders in driving HR Governance through their HR Standards, and ensuring that the HR profession developed within governance itself. It does not end here. The role of HR Governance plays a bigger role in creating trust, transparency and ethical leadership in the South African environment.

Now is the time to revolutionise the HR profession and become an advocate for governance by influencing leadership, performance, ethics and legitimacy. HR Governance is a necessity and cannot be overlooked. Live it, breathe it and be it!

[27] **http://irc.queensu.ca/articles/hr-governance-deloitte-point-view**

[28] **https://charityvillage.com/Content.aspx?topic=the_four_pillars_of_hr_governance#.WPXSDYVOLIU**

FACT SHEET

DATE	NUMBER	SUBJECT
2013		
February	1	**GAINING HR QUALIFICATIONS**
March 2		**ETHICS, FRAUD AND CORRUPTION**
April	3	**NATIONAL DEVELOPMENT PLAN**
May	4	**BARGAINING COUNCILS**
June	5	**EMPLOYMENT EQUITY**
July	6	**HR COMPETENCIES**
August	7	**HR MANAGEMENT STANDARDS**
September	8	**PAY EQUITY**
October	9	**COACHING AND MENTORING**
November	10	**HIV/AIDS IN THE WORKPLACE**
2014		
February	1	**EMPLOYING FIRST-TIME JOB MARKET ENTRANTS**
March 2		**PROTECTION OF PERSONAL INFORMATION ACT**
April	3	**QUALITY COUNCIL FOR TRADES AND OCCUPATIONS**
May	4	**WORK-INTEGRATED LEARNING**
June	5	**RECRUITMENT – SCREENING OF CANDIDATES**
July	6	**HR RISK MANAGEMENT**
August7		**BASIC HR REPORTING (1)**
September	8	**BASIC HR REPORTING (2)**
October	9	**EMPLOYEE ENGAGEMENT**
November	10	**SEXUAL HARASSMENT**

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DATE	NUMBER	SUBJECT
2015		
February	1	AMENDMENTS TO LABOUR LEGISLATION 2014
March2		THE REVISED BROAD-BASED BLACK ECONOMIC EMPOWERMENT CODES OF GOOD PRACTICE
April	3	LESSONS LEARNED FOR EMPLOYERS FROM CCMA CASES
May	4	EMPLOYEE WELLNESS SCREENING
June	5	CHANGING THE EMPLOYMENT EQUITY LANDSCAPE
July	6	EMPLOYEE VOLUNTEERING
August7		DEPRESSION IN THE WORKPLACE
September	8	EMPLOYEE WELLNESS
October	9	EQUAL PAY AUDITS
November	10	BASICS OF EMPLOYEE COMMUNICATION
2016		
February	1	PRODUCTIVITY BASICS
March	2	SERVICE LEVEL AGREEMENT
April	3	TALENT MANAGEMENT: PAST, PRESENT AND FUTURE
May	4	BUILDING ORGANISATIONAL CAPABILITIES
June	5	CHANGE MANAGEMENT
July	6	INNOVATION IN HR
August	7	HR TECHNOLOGY
September	8	HR IN BUSINESS SUSTAINABILITY
October	9	THE LEARNING & DEVELOPMENT LANDSCAPE IN SA
November	10	TOWARDS A CODETERMINATION MODEL FOR SOUTH AFRICA

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FACT SHEET

SABPP™
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DATE	NUMBER	SUBJECT
2017		
February	1	**MODERN SLAVERY**
March	2	**PENSION LAW FOR EMPLOYERS**
April	3	**THE GAME CHANGER: ROLE OF HR**
May	4	**HR GOVERNANCE**

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