



How HR Can Add Value to Compensation Committee Decision-Making

Jim Ellinghausen

Dave Swinford

Our thesis: HR Leads can earn respect at the Board level equal to the CFO and General Counsel

- 10 years ago, hardly possible
- 10 years from now, necessary to hold the job



So, why will it be necessary in the future?

- Almost every industry faces an increasing scarcity of key talent
- Globalization results in exponential increase in cultural and legal employment issues
- People will differentiate companies even more than today
- External scrutiny of Comp Committee and CEO

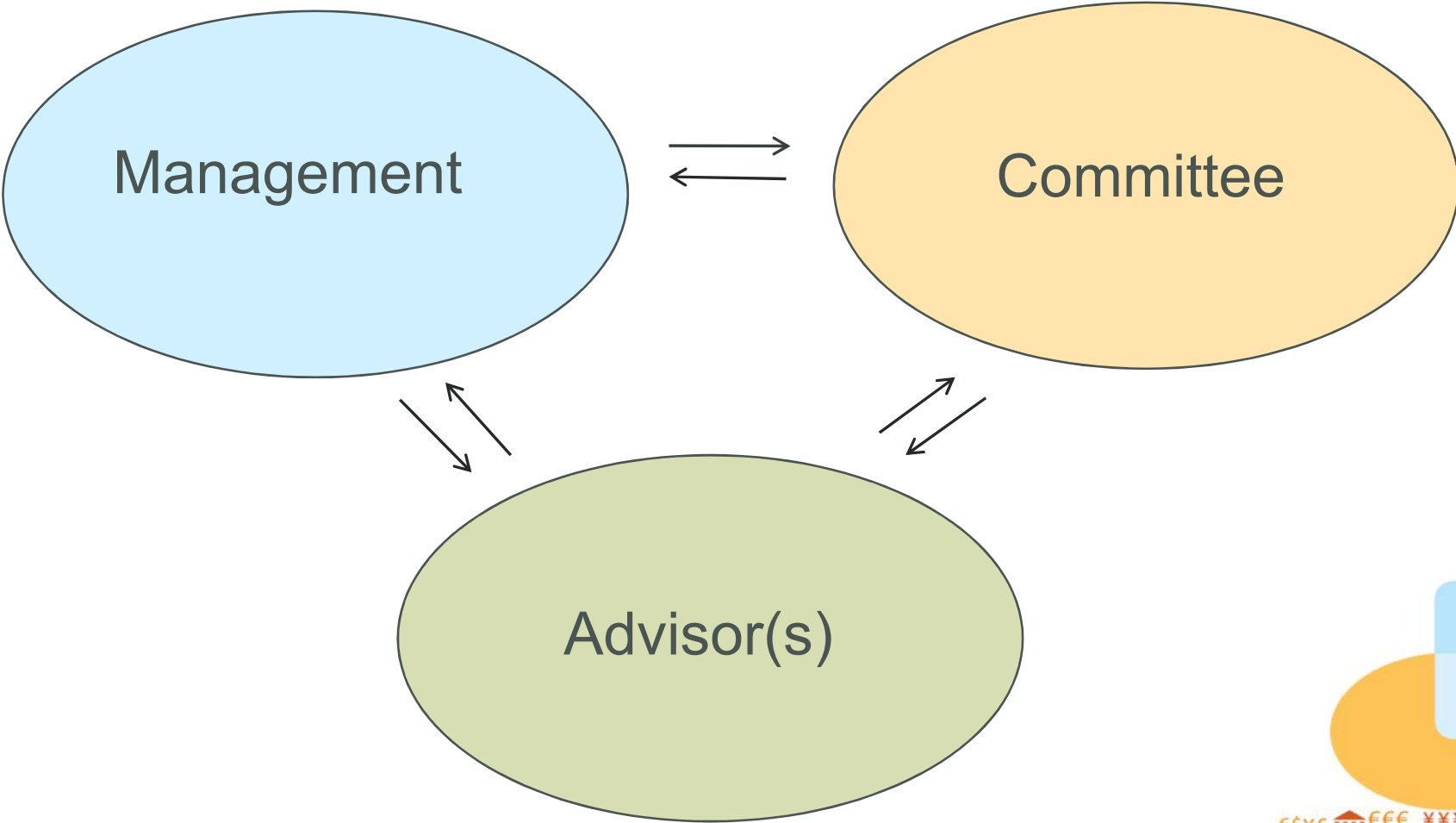


Today's Minimum Expectations

- Know all existing compensation benefits plans
- Strong awareness of related laws/regulations and access to experts
- Good handle on recruiting and retention issues
- Solid employee relations expertise
- Sound understanding of HR practices, trends and issues in the industry
- Manage Committee's staff support



Managing Key Relationships



Succession Planning

- CEO – Major BOD responsibility
- C-Suite; key jobs – high level BOD interest
- Replacement needs may involve boss or colleagues
- Talent assessment skills mandatory
- In emergency succession, HR focus on leadership issues



Management Development

- BOD – provide for future leadership of company
- Diversity a key focus of Board
- HR head as internal guardian of leadership pipeline



Finger on the Pulse of the Organization

Employee Group	Issues
Top Executives	Real thoughts and concerns about: state of business; CEO; BOD; pay
Senior Management	Real views of CEO; top execs; BOD; pay program; strategy What worries them?
Middle Management	Real views of CEO; management; BOD; pay program; strategy What really is rewarded/punished?
Employees	Real view of: their managers; CEO; BOD; reward system What really matters?



HR Issue Expert

- Blend of external and internal
- External
 - talent availability across geographic and industry segments
 - competitive dynamics
 - regulatory issues



HR Issue Expert (cont'd)

- Internal
 - causes of turnover
 - linchpins of retention
 - employee engagement



Reality Check on Board/CEO Ideas

- Caught in the middle
- Candid, independent, objective views on HR issues
- Advocate best solution—objectivity more important than loyalty
- Coaching new committee members



Go-Between with CEO

- Board members generally avoid conflict
- Two sources of private messaging –
 - Committee chair/lead director
 - HR head
- Role in “testing the waters”



HR Head as successful business partner

- Listens well and clarifies issues in objective, reasonable manner
- Defuses conflict while resolving issues
- Inspires confidence on talent management issues
- Puts compensation in context
- Balances team membership with independence expectations

