The HR team is a key player in building company leadership and culture.

It is well accepted that the senior management team has responsibility for shaping a company’s business strategy. But what about leadership strategy and who has the ultimate responsibility for its development? While the business strategy defines what a company plans to do, the leadership strategy governs how a company will do it. Shouldn’t a management team, with the support of its board of directors, be equally focused on both?
That said, the senior HR team can, and should, play a vital role in bringing a leadership strategy to life.

First, let’s assert that leadership strategy is more than the mere identification of a group of current and future executives. It is broader than a succession chart and encompasses the development and stewardship of a company’s priorities and values—what is, its culture.

Second, let’s acknowledge that recent high-profile examples of flawed culture (e.g., Wells Fargo, Uber) have elevated the issues of leadership and culture to a boardroom concern. Historically, boards have generally limited leadership oversight to the hiring and firing of the CEO and other C-suite executives. A company’s talent management and corporate culture have largely been viewed as the purview of senior management, and boards are reluctant to be seen as micromanaging or second-guessing their executive team.

In fact, a 2016–2017 Pearl Meyer study of 1,400 public companies in the United States shows that nearly 20% have formally expanded the purview of their board compensation committees to incorporate some aspect of leadership and talent. This finding is consistent with Pearl Meyer’s in-boardroom experience, where committee members are increasingly engaging in discussions with management that go beyond the traditional focus on the compensation and benefits packages for a handful of senior executives. There is more emphasis on pinpointing and developing leaders one and two layers down the organization.

With that shift in priorities, there are clear implications for senior management and human resources:

**Add Proactive Leadership Development to Succession Planning**

While leading boards are now thinking beyond basic CEO succession planning, an effective management team is actively identifying strong potential successors for all key senior positions, including those who are “ready now” and those who could be “ready soon.” These assessments are likely to include an overview of each recognized employee’s position history, most recent performance reviews and management’s view on each individual’s strengths and weaknesses. (For ready-now candidates, the overview should also include the succession plan for that person’s replacement.)

Human resources has a key role to play in helping the management team create plans to address any individual developmental needs, such as rotational assignments, internal and external coaching and more exposure to the C-suite and board. Likewise, human resources can facilitate a high-level, comprehensive review of the overall team composition and dynamics.

This complex process may be rooted in a skills matrix, which first identifies the combination of experience and expertise necessary to successfully deliver the company’s business strategy. Further refinement of the matrix may include some of the following questions:

- Do we have any skills gaps in the current leadership team?
- Have recent or anticipated changes in our business strategy changed the skills/expertise required?
- Is the team appropriately diverse (gender, age, ethnicity, geography, tenure)?
- Is it reflective of the employee population and/or the company’s customer base?
- Has there been strategic consideration of which positions are best suited to internal versus external candidates?
- The discussion of ready-now candidates also needs to touch on retention risks and mitigation strategies. After all, if your organization believes someone may be ready for a promotion, chances are good that at least one competitor agrees. Some level of transparency around the company’s leadership development process may help in this regard, as will a careful alignment between leadership development and total rewards, including annual and long-term incentive compensation.

**Know Your Culture at Its Core**

In the same way that boards have historically limited their leadership development focus to CEO succession and pay programs for senior executives, their corporate culture concerns have tended to focus on the “tone at
HR guidance can be invaluable in establishing expectations, and setting policies and procedures to help ensure that transgressions are addressed promptly, fairly and appropriately.

How Human Resources Can Take the Lead in Leadership Development
1. Continually assess top talent to identify strong potential successors for senior positions
2. Identify any gaps among high-potentials in experience or expertise
3. Help management teams create targeted plans for individual growth and development
4. Conduct a high-level review of the entire team’s skills and dynamics as a functional unit
5. Remember to think about retention risks and strategies to retain top talent.

Your Discovery Channels
1. Know what leadership qualities are present in the current team and what qualities are desired
2. Consider whether leaders’ actions align with the cultural mission
3. Have a process in place and take decisive action when cultural boundaries are crossed
4. Help senior leadership plan for spending quality time – formal and informal – with individual teams
5. Explore the company’s culture from the outside in. Trade shows, conferences, customer feedback, and web postings all offer clues to the real culture at the core of an organization.

Human resources plays a central role in determining the talent profile that best suits the company’s business strategy and its culture ...

And increases compared to rank-and-file U.S. workers. On the gender equality front, there are several examples of prominent companies in the United States, including Amazon, Apple and Facebook, voluntarily disclosing gender pay ratios. Human resources can help senior management consider the implications of these and other pay issues, including the possible unintended consequences of incentive plans, and devise a communications strategy that helps illustrate how compensation is structured to support the desired culture of the company.

Human resources has a strategic opportunity to take the lead role in helping uncover this deeper core culture. This is where the crucial nature of many HR functions, particularly well-constructed employee engagement surveys, is evident and can help inform valuable assessments of culture.

Actively Promote Your HR Philosophy
The generally stated primary goal of leadership development, compensation and benefits programs is to attract, retain and motivate both executives and the workforce at large. Companies obviously need programs that are competitive. But shifting from a mindset of “attract and retain” to one of “engage and align” can be one method of proactively focusing on promoting the right corporate culture. A shift in positioning can impact how programs are designed and communicated to employees and the marketplace.

Jaimie Koars is managing director at Pearl Meyer in Chicago. Contact her at jaimie.koars@pearlmeyer.com.

resources plus
For more information, books and education related to this topic, log on to worldatwork.org and use any or all of these keywords:
- Career development
- Total rewards
- Human resources