

Executive Insights

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HR Leaders – The Untapped Board Potential

Interestingly, the greater part of this group happens to be women

The Swedish Board of Directors of 2021 are having a rough start to the year. Several reports have exposed the consistent lack of diversity in the board room. Furthermore, following the corona crisis the board members are facing unprecedented strategic challenges, many of which are people-related. Yet few boards address these areas of concern by bringing in the competence to handle them. **Recent data from MERIT500 shows that the vast majority of the people experts, that is CHROs and senior HR leaders, in the largest Swedish companies, both listed and privately-owned, have never held a board position.** Interestingly, the greater part of this group happens to be women.



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Exparang and MERIT500 have looked closer at this pattern in Swedish corporate governance, and found a valuable opportunity to address, and potentially partly solve, both the lack of diversity in the boardroom, as well as to the competence shortage facing companies in the new post-pandemic world.

Gender Diversity in Boards

...gender diversity in boards is as important as revenue growth in predicting a company's long-term success.

No business leader can claim that the diversity, equity & inclusion debate has passed their news feed unnoticed. The data, reports, initiatives, debates are all showcasing the same outcome; diverse companies and teams are more productive and on average 30% more likely to outperform on profitability. Last year FCLTGlobal even reached the significant finding that gender diversity in boards is as important as revenue growth in predicting a company's long-term success. This finding, and many similar to it, establish that the business case is there, on display, and it should be a no-brainer to start populating key leadership positions with individuals who challenge the status quo. An action that, to be frank, is definitely within the control of corporate leaders.

But for some reason surprisingly little is happening. As we learned in the recent Albright report, the number of women in Swedish listed company boards has actually been standing still since 2018. In three years, the share has stabilised on a low 34%. Why is this? Some point to the lack of actual urgency and that the debate on board diversity has silenced and moved to management team diversity instead (Albright, 2020). While this might be true, the urgency is present already. **The global private-equity firm Black Rock**, one of the largest owners on Stockholm stock exchange, made a bold and clear statement earlier this year; they **will start to vote against boards that don't demonstrate a commitment to board diversity, starting in 2022**. Nasdaq is also using their position for the greater diversity good and proposed a Diverse Board Representation rule, which adopts a "comply or explain" approach for all US-listed companies. Even if this doesn't cover the Swedish markets, yet, it's an absolute indicator that the subject of diverse corporate leadership is as urgent as ever.

...why isn't the percentage of women in Swedish board rooms increasing?

So again, why isn't the percentage of women in Swedish boardrooms increasing? When talking to business leaders, executive search firms, headhunters, nominating committees, two coherent answers pop up - "there are too few qualified women" and "we can't find the right candidates". The reason for the lack of female board members seems to be...the lack of female board members. Fair enough, if you are looking to fill the board seat with a clone from

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past times, but in a women's body, you are facing a long and difficult search. You better offer a hefty board remuneration package because scarce resources cost. However, there might be a two letter solution: HR.

HR – The “New” Boardroom Competence

When the business landscape changes, visionary investors and shareholders are not just looking at a firm's profitability when making investments, they also factor in its corporate citizenship, leadership, people capital, governance model, ethical behaviour and environmental awareness. In short, they embrace and drive the whole ESG Agenda.

In recent years the attention has also circled in on organizational diversity, at all levels including Board, C-suite and white and blue collar. The extraordinary challenges brought by covid-19 has not reduced the weight of these areas of concern, but rather extended the list of people-related challenges that in the post-pandemic world will have an obvious impact on a company's ability to recover and grow. **Many of these challenges are directly placed on HR's agenda.**

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Over the years Human Resources has transformed from being an operations-driven reactive support function towards becoming a strategic business-critical function. Most HR leaders now report directly to the CEO, are deeply involved in change management and work closely with board members. Areas such as organisational effectiveness, which were previously owned by the COO, are partly being transferred to HR as business leaders acknowledge that it's also tied to people management, culture and a diverse pool of talent and experience. **When McKinsey asked HR leaders about their focus in 2020, 50% indicated the urgency of reimagining the fundamentals of the organisation, rethinking operating models and ways of working in the “next normal”.** Add to that the necessity of creating a value-enhancing HR ecosystem, work with talent-data in performance management, bridge the present skill gap among workers and develop a human-centric culture. All for the purpose of building an organisation empowered to outperform and deliver long term superior results.

Not to forget the more traditional perspective; HR leaders come with long experience and track record from senior succession planning, compensation

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strategy and talent acquisition - which should sound highly compelling to a remuneration and nomination committee looking for skilled candidates.

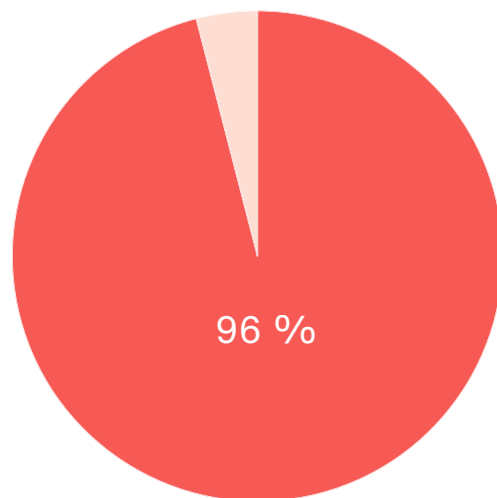
Given the competencies just described, it isn't surprising to see that when Tesla was searching for an add on to their Board of Directors, the choice fell on Kathleen Wilson-Thompson, at the time Global Head of HR at Walgreens Boots Alliance. BT, the British Telecom giant, made the same analysis and welcomed the CHRO of Unilever, Leena Nair, to their board in 2019.

The Research

Equally strong examples in the Swedish business context is harder to find. When we looked at the data from MERIT500 it became clear that the HR profession is so far highly unexplored as a search space for board candidates. **The research that covered management teams in all the largest Swedish companies, listed and unlisted**, showed that out of the 533 HR leaders, only 4% have, or have had, a corporate board role.

HR Leaders in Sweden's largest companies who:

Source: MERIT500



● Never had a Board assignment ● Have, or have had, a Board assignment

Only 4% of the HR Leaders of Sweden's 533 largest companies have, or have had, a board assignment...

The number is rather astonishing since these are all HR leaders with a position in a top management team, responsible for people and culture strategy and just as capable as any other C-suite member to step into the boardroom.

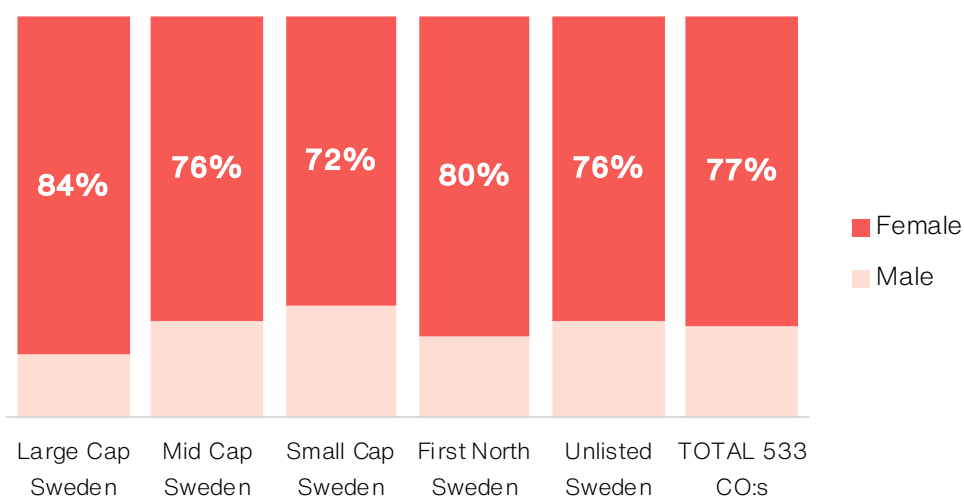
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The companies who have experienced unsuccessful searches for female board representation would also benefit from looking closer at this data. **77% of all HR leaders in the mapped companies are women.** To put it straight - it's a 411 people long "long list" of potential candidates for boards.

There is obviously an aspect of the "right person for the right role", not everyone of these individuals are suitable considering what strategic challenges a company faces, how involved the board are in said strategy and of course, the actual competencies and personality traits of a person. But that isn't distinctive for the HR profession, every board candidate should be assessed fairly and in the same way as others.

HR leaders in Sweden's Largest companies, Gender

Source: MERIT500



It's time to move beyond the old fashioned view of HR as transactional support and re-evaluate the profession, dominated by women, and acknowledge that HR is a key player in the modern company's strive to thrive. Adding an HR leader to the board is a statement saying that at this company, people are at the centre of strategic decision making, and involved in the long term growth plans.

There are over 400 women, available and with the potential to bring both diversity and excellence into the boardroom.

To conclude, “The soft stuff” is transforming to “the strategic stuff”. There are over 400 women, available and with the potential to bring both diversity and excellence into the boardroom. And now you know where to find them, in HR.



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- We are an innovative HR-Tech company that is reengineering executive search with a modern AI-enabled platform for exceptional data driven recruitment matches. The unbiased matching is instant, direct and based on mutual interest. The result is radically faster and better recruitments at a fraction of the cost of conventional methods.
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MERIT500 is the most up-to-date database for Board, Executive and Operational Management Team information in the Nordic region.

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