

## UK boards risk reputational damage due to 'people insight deficit,' new report from the CIPD warns

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The CIPD is calling on business leaders to have more HR representation on their boards. This will ensure that organisations have the people expertise they need to create positive cultures and manage risks like sexual harassment.

[The value of people expertise on corporate boards](#) report found that just a quarter (25%) of the Financial Times Stock Exchange (FTSE) top 350 firms have a board member (executive or non-executive) with an HR background, while only 2% have an HR director as an executive board member.

The report also found that many chairs and senior independent directors tend to have financial rather than HR backgrounds. There is also a lack of HR representation on remuneration committees (23%) and nomination committees (20%), despite these both being focused on the key people issues of reward and talent.

It also suggests this lack of HR representation undermines firms' corporate governance, particularly given that the majority of questions to boards concern people issues, according to the Financial Reporting Council's board effectiveness guidance.

Susannah Haan, Senior Corporate Governance Adviser, CIPD, said: "Companies often say people are their greatest asset, but the make-up of boards doesn't reflect this. Effective boards need diverse skills and perspectives, so it's concerning that so few boards have HR expertise. This lack of people insight may lead boards to overlook people risks which can damage a firm's reputation."

The report also found that there's an increasing need for boards to understand and manage key people-related challenges and risks, such as sexual harassment, diversity and inclusion, and employee engagement.

Chief people officers (CPOs) noted some common problems or knowledge gaps among non-HR board members, including:

- a lack of in-depth understanding of people issues
- an overfocus on the financial skillset
- an 'overenthusiasm' around employee engagement, leading to interference with management
- a lack of emotional intelligence
- a lack of awareness and discomfort around EDI (equality, diversity, and inclusion) issues.

This latest CIPD report is accompanied by a short guide and headhunter tips for people professionals considering a move from a human resources director (HRD) to a non-executive director (NED) role.

A series of case studies also offers practical advice from senior leaders who have successfully made this move.

Susannah Haan, Senior Corporate Governance Adviser, CIPD, said: "We need professionals at board level with a deep understanding of the complexities of managing and developing people. It's the only way we can nurture the right culture for an engaged workforce that can deliver an organisation's strategic priorities and fuel growth in the UK economy."