

Governance and HR: the development of a framework for South African organisations

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Abstract

The purpose of this article was to explore current literature on corporate governance, HR governance and HR governance frameworks and to recommend an HR governance framework that can be implemented by South African organisations. This study builds on a literature review that informed the development of an HR governance framework consisting of five core elements that enable HR to manage areas of focus and accountability effectively.

Many organisations' HR governance (and specifically compliance) activities are reactive in origin, established to prevent, limit, or mitigate the risks and liabilities associated with non-compliance. It is therefore necessary that any organisation dedicate resources to proactive compliance measures, such as HR policies and procedures, and that HR move from the traditional roles of regulator and manager to become business partner and HR governor through the institutionalisation of an HR governance framework.

The recommended HR governance framework articulates the areas of focus based on strategic, operational and functional accountabilities. The entire HR community could benefit from this article as the framework could inform South African organisations' future HR governance practices, thereby contributing to more effective management of HR governance.

Key phrases

corporate governance; framework; human resource management; HR governance; HR governance framework

1. INTRODUCTION

"The most interesting chapter in the history of HR governance is just now being written"
(Heslop, Hilbron, Koob & Szumyk 2003:1)

The study of corporate governance has grown rapidly during this last decade, prompted by the crises associated with Enron, World Com, Parmalat and other corporate scandals (Ibrahim & Zulkafli 2014:186). This precipitated the need for tougher corporate governance measures worldwide (SABPP 2009:3). As a result, the world of governance has changed in terms of its common view that organisations need to make their governance structures, processes and activities more effective.

In South Africa's history, we have witnessed corporate scandals such as Leisurenet, Corpcapital, and Saambou. One of the recent corporate fraud scandals, Fidentia, involved public funds from the Transport Sector Education and Training Authority (TETA), South African Airways, Eskom and the South African Broadcasting Authority, therefore confirming that poor corporate governance is not just limited to the South African private sector (SABPP 2011:5). These scandals highlight how widespread corporate fraud is and how important governance is.

Despite the above scandals, Martin and McGoldrick (2009:4) found that surprisingly little has been written about HR and governance in the recent past. Through their review of the major academic databases, only a small number of HR articles cite corporate governance in their keywords, although prominent HR theorists have called for ways of conceptualising HRM from a governance perspective.

On the one hand, Christensen (1987, as cited in Supangco 2006:101) indicates that failure in corporate governance, for instance, may be a symptom of a human system that is unable to define governance objectives and plans for achieving them, to implement actions or to measure their success. On the other hand, Meyer, Roodt and Robbins (2011:11) are of the opinion that many organisations suffer from poor governance due to a lack of clear policies, processes and procedures. To support the argument of Christensen (1987 as cited in Supangco 2006:101), Deloitte (2008 as cited in Meyer *et al.* 2011:6) argues that every business scandal or regulatory violation ultimately has its roots in the workforce. That is why human resource (HR) practitioners must expand their role from "stewards" (which focuses on workforce compliance and administration) to "strategists" (which affects every governance, risk and compliance issue with a human element (Meyer *et al.* 2011:4).

Furthermore, given the important role of HR directors in supporting King III, and the need for sound governance of South African organisations in particular, the Human Resource Research Initiative of the SABPP identified the management of HR risk as one of the most important opportunities that HR practitioners have for adding value to the new governance dispensation in the country (Meyer *et al.* 2011:1). This puts great emphasis on the integral role of HR in governance.

1.1 Background

The principle of governance is based on the idea of regulation and whether organisations are able to manage themselves without regulation (Heslop *et al.* 2003:1). Many organisations' HR

governance (and specifically compliance) activities are reactive in origin, established to prevent, limit, or mitigate the risks and liabilities associated with non-compliance (Meyer *et al.* 2011:1). It is therefore necessary that any organisation dedicate resources to proactive compliance measures as well, such as HR policies and procedures. Proactive activities can help ensure that all organisational initiatives and policies are reviewed for compliance and effectiveness (MetricStream 2011:Internet).

On the subject of HR governance, Kreissl (2012:Internet) writes as follows: “Having some kind of governance structure in place, both for the HR function itself and for all types of people management issues, helps treat employees fairly, consistently and in compliance with the law and recognised best practices, control costs and align people management practices with an organisation’s overall strategy and its vision, mission and values.” It also helps provide a framework to ensure an organisation does not descend into “anarchy” in the absence of rules, regulations, norms and standard operating procedures relating to people management.

A governance system requires clear practices for the effective governance of risk, such as for monitoring risk management activities (Meyer *et al.* 2011:4). While the SABPP (2009:12) has asserted that HR practitioners have a key role to play in the development and maintenance of sound corporate governance practices, the SABPP (2011:5) further asserted that HR needs to be responsible for establishing an ethical culture within an organisation and to provide a structure or framework for the organisation to perform in.

This article gives a brief overview of governance, HR governance and different HR governance frameworks. The point of departure is that, in addition to other factors in business, a lack of proper HR governance frameworks can contribute to poor governance since business often uses a reactive approach to HR management with no or little regard for managing risk (Meyer *et al.* 2011:1). In addition, HR has an option to promote the HR domain to the level of HR governance (SABPP 2009:15) and it is therefore necessary that HR move from the traditional roles of regulator and manager to those of business partner and HR governor through the institutionalisation of an HR governance framework (SABPP 2009:17).

1.2 Purpose of the study

Historically HR leaders have not been challenged to think formally about applying an approach to governance that focuses on performance (results) as well as compliance with

key support functions such as HR, finance, and technology (Sussman 2006:Internet). The purpose of this article is therefore to explore current literature on corporate governance and HR governance and to propose an HR governance framework that can be implemented by South African organisations. This is also supported by one of the recommendations by the SABPP (2009:32), which has indicated that the HR professional community in South Africa should develop an HR governance framework.

The consulting firm Deloitte (2008) has found that in certain cases where HR-focused governance, risk and compliance issues are widespread or poorly managed, they become major business issues (SABPP 2009:10). This also emphasises the importance of the HR function and HR activities and how they are linked and related to many organisational processes. The implementation of an HR governance framework could therefore alleviate some of these business issues. HR professionals should therefore use their unique knowledge, skills and expertise to help business leaders tackle governance, risk and compliance issues across the entire organisation (Meyer *et al.* 2011:4; SABPP 2009:12). Only with the use of an HR governance framework would HR professionals be able to fulfil this requirement.

Given the challenges that South African organisations are facing and the critical role that they are playing in the economy, it is essential that these organisations be functioning effectively. Sound corporate governance practices are critical to ensuring the effective functioning of these organisations. For this reason, research contributing to the debate on corporate governance frameworks is essential. To date, very little research has explored South African organisations' HR governance frameworks, and little to none could be found in the literature. This study aims to fill this gap and to propose an HR governance framework as a foundation on which further research can be built. All South African organisations could benefit from this study; especially the HR professional community that needs to elevate the HR function to board level (SABPP 2009:20). Furthermore, the framework will inform South African organisations' future HR governance practices, thereby contributing to more effective management of governance in organisations.

2. METHODOLOGY

This is a position paper enabling and stimulating discourse on HR governance. This paper will substantiate the positions put forward with evidence from various regulating bodies, documents and imperatives, followed by an extensive objective discussion of the topic. The

authors take a specific point of view, and the purpose of this paper is to explore and explain the reasoning behind the position that HR governance is essential. A framework is proposed based on the literature and other governing imperatives. A three-pronged methodology was used: (1) a literature review was used to identify the key principles of corporate governance and HR governance; (2) based on the literature review, different HR governance frameworks/models were reported on; and (3) information from the literature review was consolidated and an HR governance framework for South African organisations was proposed.

3. LITERATURE REVIEW

3.1 Definition of governance

Governance in its simplest terms is the practices and processes that are put in place to help organisations achieve their goals ethically and in the best interest of all stakeholders (Moore 2011:Internet). The SABPP (2009:11) states that governance essentially concerns people and how they behave and that it is required at all levels of an organisation. Corporate governance describes how modern corporations organise their relations with stakeholders. In doing so, it is typically concerned with how the interests of corporate boards and senior managers are brought in line with those of stakeholders.

There are two key elements associated with such alignment: “ensuring that these managers are accountable to minimise the risks to key stakeholders and/or the owners of organisations (the wealth protection function), and enabling them to take risks to pursue innovation and enterprise (the wealth creation function)” (Filotochev 2005 as cited in Martin & McGoldrick 2009:2). Thus, considering it in this way, corporate governance has major implications for employees and how HR is practised (Konzelmann, Conway, Trenberth & Wilkinson 2006:545).

3.2 Importance and benefits of governance

Corporate failures such as the collapse of Enron have damaged the reputation of the corporate sector, and this has brought about a renewed interest in corporate governance and the role it can play in the prevention of these failures (Detomasi 2006:225; Feizizadeh 2012:3353; Fombrun 2006:270; Jhunjhunwala & Mishra 2009:62; SABPP 2009:3). Many countries have responded to this by introducing their own regulations and best practice codes as a preventive measure.

The purpose of corporate governance is to promote integrity, transparency, accountability and disclosure, all with a view to protecting investors and enabling improved relations with various stakeholders (Jhunjhunwala & Mishra 2009:62; Padgett 2012:206). Corporate governance therefore aims to minimise risk. Governance can be applied on a statutory basis or as a code of principles and practices or a combination of the two (IOD 2009(b):7). Fombrun (2006:270) reports on a study done by Mercer Investment Consulting in which 46 per cent of institutional asset owners indicated that they take corporate governance into consideration when making investment decisions, an indication that governance simply cannot be ignored.

Although governance is mainly implemented as a regulatory measure, its implementation does offer organisations certain benefits. Organisations that implement governance can benefit from an enhanced reputation, constructive engagement based on an inclusive approach, enhanced ethics within the organisation, and enhanced sustainability by optimising the triple bottom line (SABPP 2009:5).

3.3 Governance in South Africa

Padgett (2012:2) is of the opinion that corporate governance systems vary as the practice of governance is influenced by characteristics that are specific to each country such as law, politics and culture.

South African organisations or organisations operating in South Africa are governed by the King III Code on governance. The King III Code evolved from the first King Report which was published in November 1994, and the new changes were necessitated due to the implementation of the new Companies Act as well as changes in international governance trends (IOD 2009(a):5). The King III Code places emphasis on the principles of fairness, accountability, responsibility and transparency and it applies to all entities, whether public or private, and compliance is considered international best practice (SABPP 2009:3).

The review of governance literature, King III in particular, highlights the principles of fairness, accountability, responsibility and transparency and there can be no doubt that the majority of the King III governance principles relate to corporate and human conduct, and therefore ultimately affect the domain of human capital management (SABPP 2009:3). The King III report was used as a basis for this article since governance in South Africa originated from this document.

3.4 HR governance: a definition and key elements

Based on the literature review conducted, it became evident that HR governance is a relatively new organisational practice, and therefore there is not yet a universally acknowledged definition (Heslop *et al.* 2003:15; Kreissl 2012:1; Sussman 2006:Internet). However, Heslop *et al.* (2003:13) define HR governance as:

The act of leading the HR function and managing related investments to:

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

This definition implies the need for an HR governance model that could assist in dealing with many of the HR problems and challenges encountered by South African organisations, such as HR risk management and corporate ethics, which appear to arise from ineffective corporate governance (SABPP 2009:15).

Heslop *et al.* (2003:16) support the need for an HR governance model that can enhance contributions to the business by making implicit governance models explicit. Governance is not a strategic objective; it is "a systematic approach to management that enables the function to achieve strategic and operational objectives" (Heslop *et al.* 2003:2).

Figure 1 illustrates the relationships among business, human capital, and HR functional strategies that influence HR's operating model and inform its governance system. HR governance is an important aspect of corporate governance in general. Mervin King is of the opinion that "good human resource management is imperative for good governance" (SABPP 2009:3). Shameem (2011:Internet) posits that "HRM has now become central to the idea of corporate governance. This is because the idea of creating institutional trust has become central to governance ideas".

Furthermore, the need for HR governance has come about due to the changing role of HR in general. Ulrich and Beatty (2001:293) are of the opinion that the role of HR is changing due to a change in business demands and this requires an evolution in the HR role. This is supported by Meyer *et al.* (2011:4), who agree that "the HR profession is moving beyond the

strategic business partner role towards one of being a driver of business success and sustainability”.

Beatty, Ewing and Tharp (2003:258) indicate that because HR has the responsibility to ensure that laws are followed and is responsible for complex functions such as reward systems which may put organisations at risk, there is a need for an expanded role for the HR function. In addition, these authors report on a survey that was sent to HR professionals regarding their role in corporate governance, and the results indicate that the HR function is vulnerable and that practices such as selection, rewards and compensation, performance management and communication are all associated with legal, professional and ethical risk.

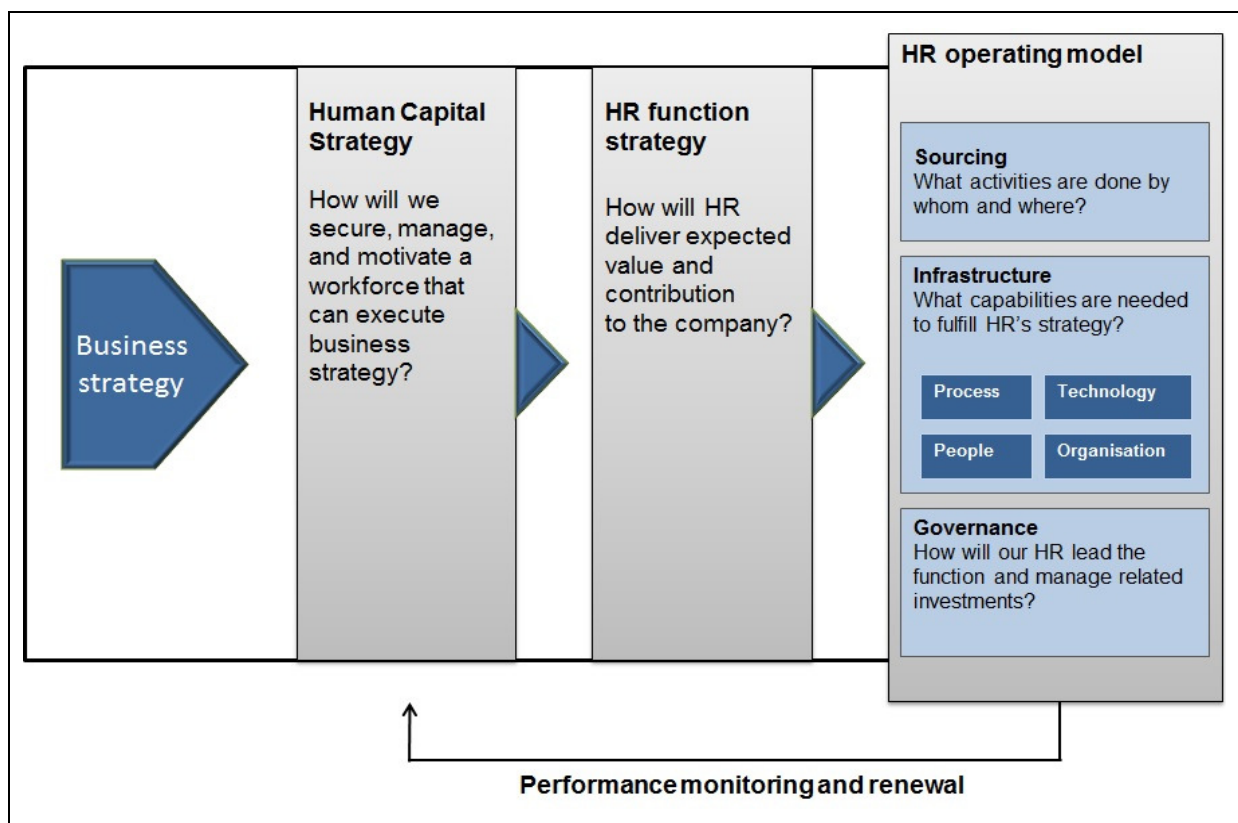


FIGURE 1: Strategic alignment of HR

Source: Mercer Human Resource Consulting 2011:9

Additionally, senior HR professionals who deal with executive incentive compensation systems are also at risk. This is a clear indication that there are HR practices that may put an organisation at risk; and this supports the need for an HR governance model that can ensure the governance of the entire HR function.

Five core elements that should be included in an HR governance system are identified and described in Table 1. These elements enable functional leaders to manage areas of focus and accountability effectively. While these elements are distinct from each other, they are interdependent, meaning that each one must be individually articulated and developed to govern explicitly and effectively (Heslop *et al.* 2003:3).

Despite the seeming complexity of HR governance, management can simplify the process, according to Moore (2011:Internet) “by introducing four basic pillars as their governance framework: developing human resources policies, implementing and adhering to the policies, reviewing and updating policies, and making sure that human resources expertise is represented as part of the skill set of the board of directors”.

TABLE 1: Core elements of an HR functions system of governance

Element	Description
Structure and accountability	Outlines the design of the guiding group (council) as well as its relationship with involved stakeholders
Effective councils	Links to structure and refers to the effectiveness of the council and other involved stakeholders
Philosophy and operating principles	Describes the functions risk tolerance, approach to delegating authority and expected levels of management autonomy at business unit or geographic level
Core management activities	Activities such as HR strategy development, business planning, oversight of rewards plans and programs, HR resource allocation and HR staff development/leadership succession
Performance monitoring	Framework metrics used to evaluate and communicate the functions operational effectiveness, compliance, and contribution to business success

Source: Adapted from Heslop *et al.* 2003:3

Kreissl (2012:Internet) observes: “HR governance is important because senior business leaders are finally beginning to realise that people truly are an organisation’s most important asset. And in many industries, personnel costs represent the single largest expense for an employer. Therefore, organisations cannot afford to manage such a prized resource (and a major expense) in a haphazard manner.”

HR governance can have a significant impact on a company’s business by improving productivity and helping to drive organisational change (Sussman 2006:Internet). This author presents the following benefits of establishing a workable HR governance structure:

- clear reporting structures;
- role clarity and value-adding HR activities and decisions at each level of the organisation;
- logical decision-making boundaries and controls;
- integration and alignment with business priorities;
- clarity around an organisation's tolerance of duplicative activities;
- transparency of process and resultant employee trust/commitment;
- demonstrable evidence of HR's value to the business.

3.5 HR governance frameworks

According to the consulting firm Deloitte (2013:Internet), "HR governance models" can define how business priorities are set, how decisions are made and how communication flows throughout an organisation. The framework for HR governance, according to Moore (2011:Internet), "often includes, but is not limited to, the process and practice introduced by an organisation in determining the roles, authority, responsibilities, decision-making, and ultimately the accountability of all employees and management for the benefit of its stakeholders".

Martin and McGoldrick (2009:4) speculate that governance models are likely to follow strategy rather than guide it. According to these authors, and from emerging literature, stakeholder models of governance recognise the need to balance the interests and needs for compliance of external and internal stakeholders, and are often forced on organisations that are driven by strong professional identification, interests and power. Martin and McGoldrick (2009:6) propose the model for the public services sector presented in Figure 2.

This model highlights a potentially causal relationship between innovations in the governance of the HR function itself – how it is structured and how receptive it is to new knowledge. It also highlights the governance of an organisational climate, which refer to the mechanisms for giving employees greater *voice* in decision-making and in encouraging them to collaborate and share knowledge (Martin & McGoldrick 2009:6). Both of these internal HR and people management governance functions have important consequences for externally-oriented innovation and corporate governance.

During 2004, Deloitte Consulting conducted a study at BC Hydro to define an HR governance framework that supports the organisation as it strives to meet its strategic objectives.

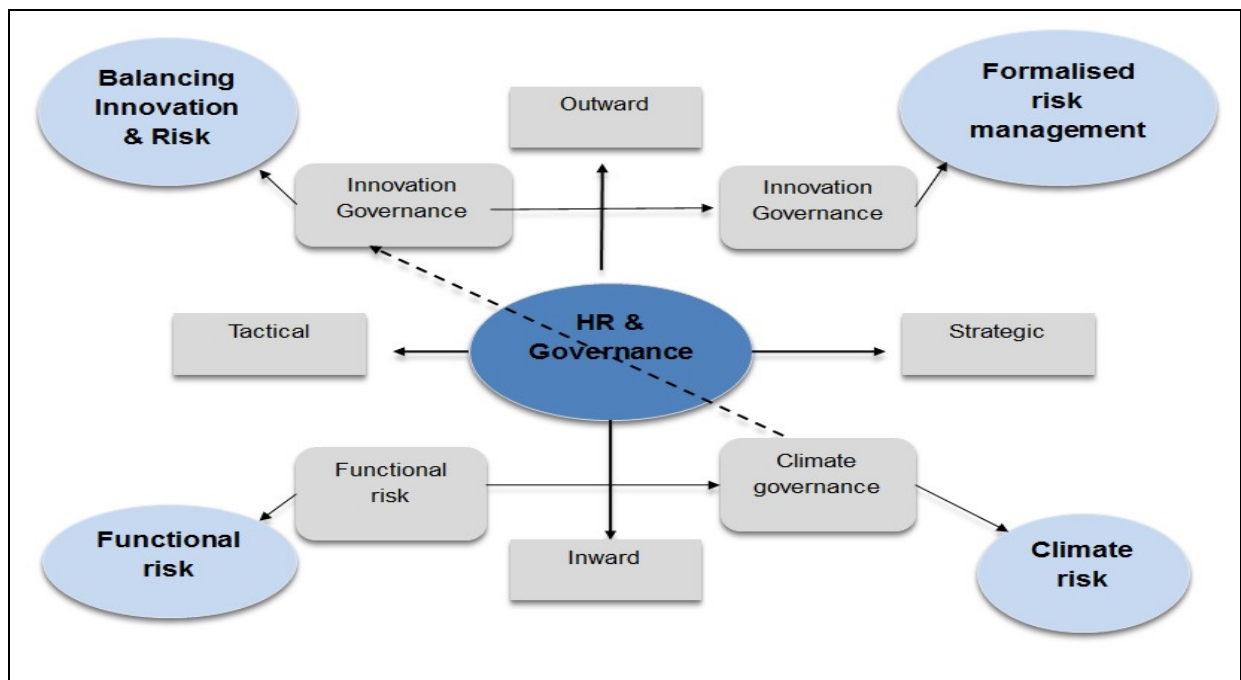


FIGURE 2: HR, governance and risk

Source: Martin and McGoldrick 2009:6

Specific considerations regarding HR governance were as follows (Hofton 2004:9):

- HR strategies;
- HR organisation structures, roles, accountabilities and linkages – corporate vs lines of business; and
- relationship with and management of outsourced providers of HR services.

Based on the study, the following guiding principles were established for the HR governance framework:

- Clear primary roles and responsibilities that govern everyday HR activities.
- The collaborative effort of different role players in the organisation in designing and developing HR programmes.
- HR programmes being treated as business programmes throughout the organisation.
- One single, clear accountability for each programme component. This allows for: (i) a single point of contact for programme information; and (ii) clarity in driving performance expectations at all levels; and
- The HR governance framework must incorporate simple measures against which the progress of the HR transformation can be measured in future.

The recommended HR governance framework for BC Hydro is shown in Figure 3.

Heslop *et al.* (2003:8) are of the opinion that there are several enabling systems that directly affect a governance council's ability to succeed (and which have value for governance frameworks as outlined in this paper):

- *Leadership capability of the HR executive management team:* to articulate a vision and priorities, to engage the council, and to manage decision making;
- *Technology:* to leverage all aspects of HR function's capabilities, including service delivery, knowledge transfer, employee communication, information gathering, compliance and performance monitoring;

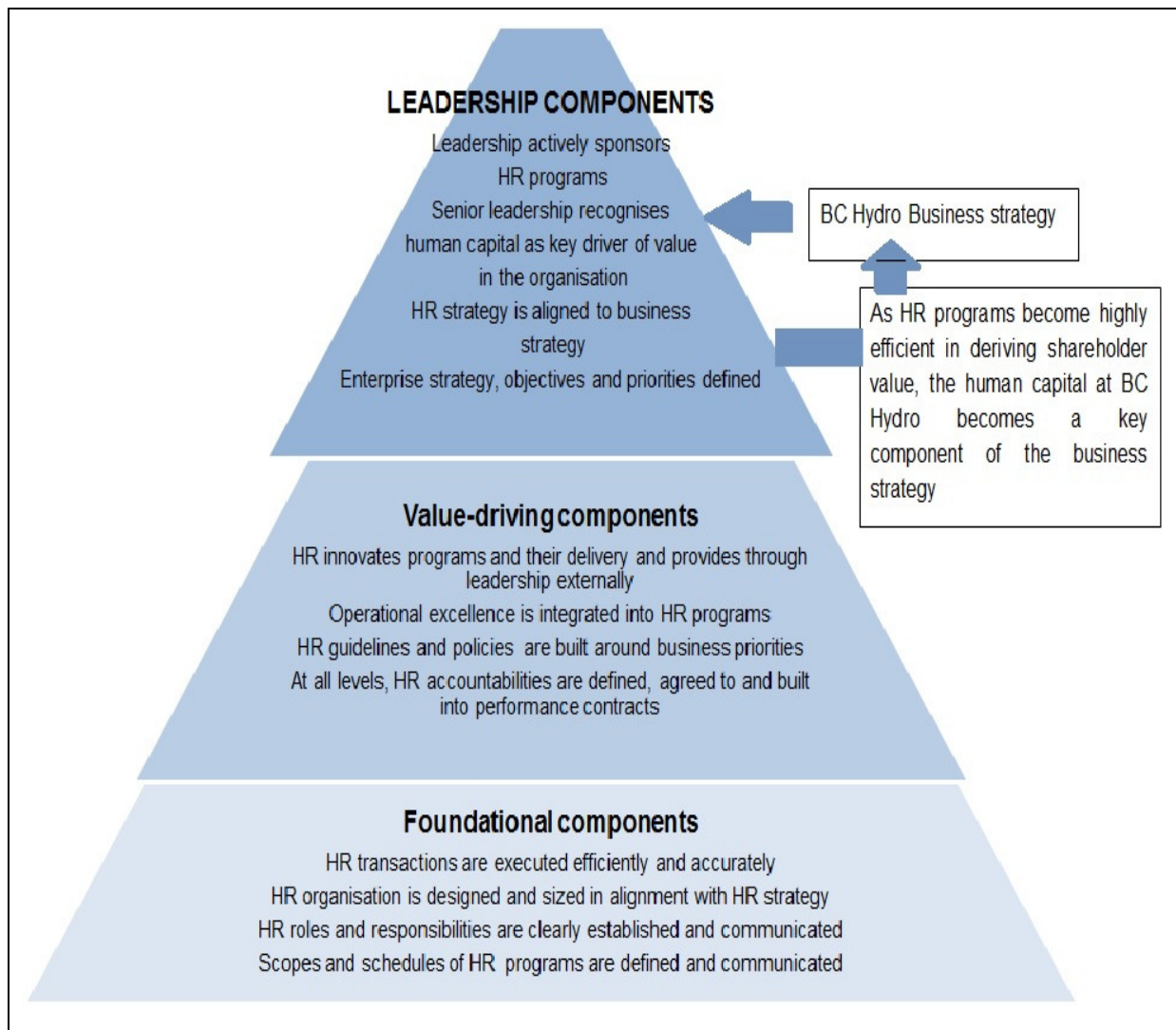


FIGURE 3: BC Hydro HR governance framework components

Source: Adapted from Hofton 2004:24

- *Stakeholder engagement*: to accelerate understanding of the council's activities and to manage any resistance to change. The SABPP (2009:18) recommends that HR professionals foster positive relationships with the board, management, finance director, chief risk officer, head of IT, sustainability manager, head of corporate social responsibility, company secretary and head of internal audit to promote sound governance;
- *Employee communication*: to explain how HR's priorities and activities support employee and organisational success. Careful consideration is given to who receives the information gathered through HR performance monitoring, so that clear lines of sight can be established among employee, HR, and organisational goals. This view is supported by Deloitte (2008), which recommends that HR professionals should ensure that the business performance and compliance responsibilities are clearly communicated to every employee;
- *Process management and control*: to optimise how the framework drives the achievement of goals. The SABPP (2009:18) recommends that HR professionals keep accurate records and compile periodic HR progress reports for inclusion in sustainability and integrated reports; and
- *Education in the framework and HR metrics*: this is needed to fully align process management and control systems with performance management.

4. HR GOVERNANCE FRAMEWORK FOR SOUTH AFRICAN ORGANISATIONS

An HR governance framework provides a conceptual model for systematically developing and planning HR risk management actions in an organisation. The framework is useful for determining the level of HR risk in an organisation and for measuring it (Meyer *et al.* 2011:9). The recommended HR governance framework incorporates some key principles that are founded on leading practices.

4.1 The framework for governance of the HR function

The philosophy and operating principles of the governance framework describe, at a minimum, HR's risk tolerance, approach to delegating authority, and expected level of management autonomy at business level (Heslop *et al.* 2003:3). The framework is furthermore based on a holistic approach, encompassing a broader corporate governance framework, definite stakeholder engagement, both internally and externally, risk

management (on corporate/organisational and departmental levels) and, most importantly, the HR leadership. This is shown in Figure 4.

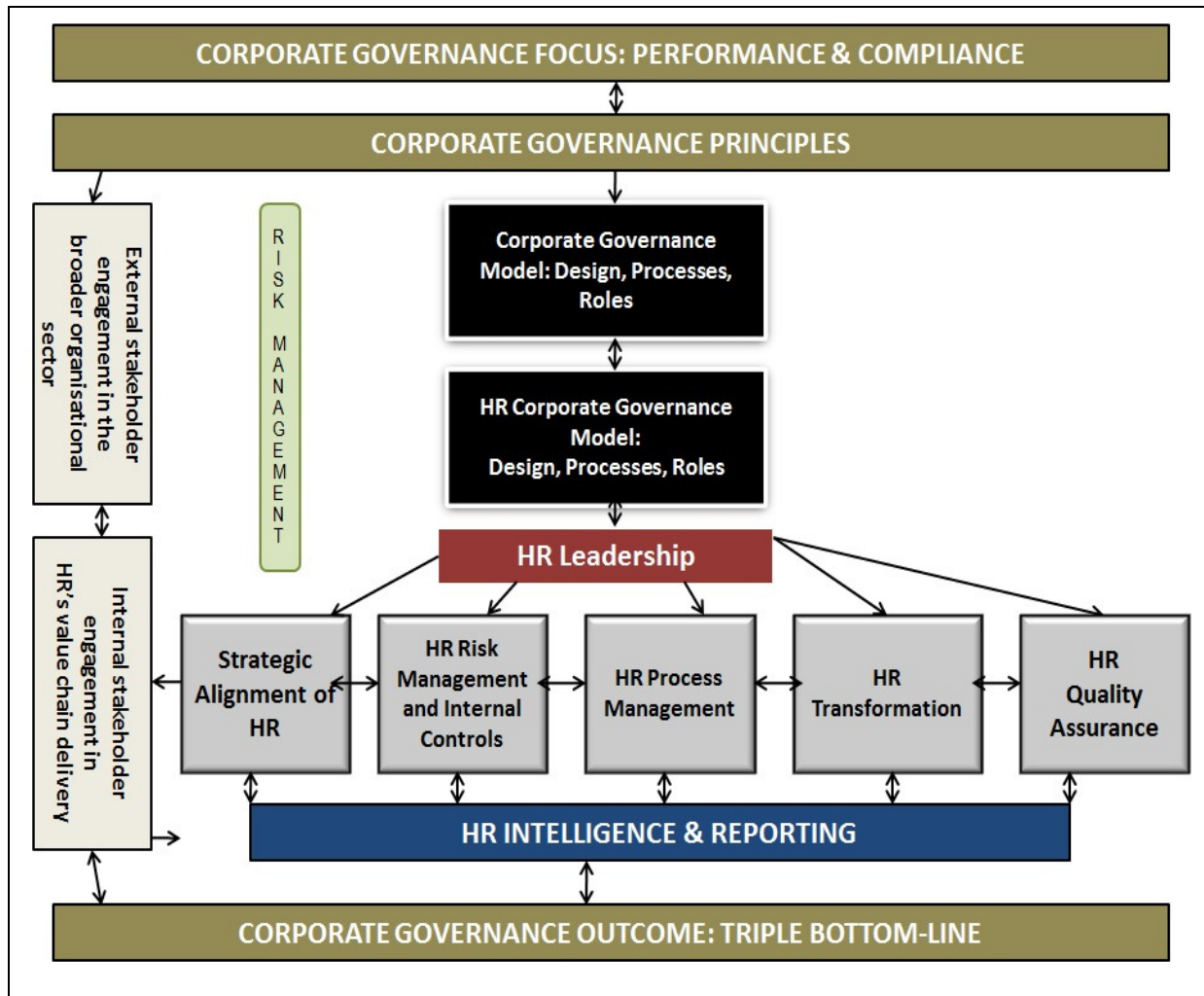


FIGURE 4: HR governance framework for South African organisations

Source: Authors

Core management activities in the framework include HR strategy development, organisation development and planning, oversight of rewards plans and programmes, HR resource allocation, and HR staff development/leadership succession. Through these core management activities, the framework “sets direction and priorities, ensures effective execution over time, and enforces internal controls” (Heslop *et al.* 2003:3). The recommended HR governance framework concerns itself with all aspects of HR functional management and is in line with what Heslop *et al.* (2003:16) call “effective HR governance”. It furthermore clarifies the roles and contribution of HR to enhance the triple bottom line of a company (SABPP 2009:17).

However, ensuring that HR's involvement impacts on the bottom line becomes a challenge to HR practitioners as they have to rethink the nature of their involvement of practices that support governance (Supangco 2006:112). Each of the HR functions (leadership) will now briefly be discussed.

HR risk management: The HR philosophies on risk should be aligned with that of the organisation. It is proposed that the organisational approach focus on organisational activities at the various levels (strategic and operational) of the organisation. All risks should be assessed on the basis of the likelihood of their occurrence and anticipated impact and should be categorised into high, medium and low. The HR department should also have a risk register, which includes more operational HR-related risks and controls. The SABPP (2009:17) recommends that HR professionals proactively manage HR as well as operational risk through the design of sound HR risk practices and contingency plans to ensure business continuity.

HR internal controls: Internal controls ought to be tested through self-assessment and independent audits. Regular reviews as well as audits of standards are procedures to be conducted to ensure they reflect internal developments and changes in law. Areas of non-compliance or weakness should be identified in order to understand root causes. Incidents and breaches should be reported to senior management. Conducting annual HR audits (internally and externally) is in line with one of the recommendations of the SABPP (2009:19;34) and may enrich HR sustainability reporting and enhance the governance of accountability and independence. It would also be in line with the governance principles of accountability and transparency. Meyer *et al.* (2011:4) posit that the HR director should present company directors with a complete report of HR compliance and operational risks, as well as the recommended actions, and should accept responsibility.

HR process management: The reporting structure within the HR department needs to be considered, as well as centralisation and decentralisation of functions. Consideration of HR delegations is important in order to: (i) address anomalies and concerns; (ii) speed up service delivery; and (iii) empower/motivate and develop managers within HR and the organisation. This could be done by: (a) delegating identified powers to lower levels in HR and to departments, and (b) decentralising functions/activities, capacitating those levels and delegating further powers. HR delegations need to comply with the regulatory framework.

HR transformation: This could for example be to: (i) develop action plans to address identified areas of non-compliance or weakness, and consistently clarify expectations by communicating organisational commitment; (ii) develop specific training plans and curriculum for key management, by function and division; and (iii) design and deliver training content addressing relevant standards, procedures, and risks for employees. One of the required transformations is that HR professionals 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 (SABPP 2009:17).

The HR transformation, with specific focus on governance, necessitates the evolution in staff roles and responsibilities as compliance becomes more strategic. As the HR compliance framework evolves and matures, staff roles change to include activities such as overseeing compliance training, managing databases, and staying abreast of regulatory requirements. Furthermore, the HR professional needs to become a “steward of change, and build organisational capabilities” (SABPP 2009:17).

HR quality assurance: Although King III implies that HR operates only in the area of “non-financial” matters, the SABPP (2009:34) recommends that HR professionals work harder on the financial side of HR – to develop metrics and more sophisticated HR measurements around the cost and benefit analysis pertaining to absenteeism and wellness programmes, retention schemes, and the business impact and return on investment of HR interventions.

Meyer *et al.* (2011:4) posit that “a global company needs a clear HR due diligence process to highlight all the HR risk factors that the company should manage to avoid rushed and poor decisions. In line with the corporate governance principles of accountability and responsibility, companies need a rigorous and systematic approach to HR due diligence” (Meyer *et al.* 2011:6).

4.2 The HR’s areas of focus, and how the activities in these areas should be managed

The governance areas of the recommended HR governance framework encompass the following:

- cultural dynamics (e.g. risk-taking, incentives, remuneration and ethical risk-taking);
- compliance (HR-specific);
- organisational realities (e.g. succession planning, nominations, induction and change management; and

- remuneration (e.g. fair and responsible remuneration, compensation, policies and procedures, employment contracts, disclosures and reporting).

The operational areas of focus in terms of HR governance, reflected in the organisational as well as departmental strategies in terms of the overarching process of talent management, and in order to become the employer of choice, are shown in Table 2.

TABLE 2: Operational areas in terms of HR governance

PILLAR	OPERATIONAL AREA
Talent attraction	<ul style="list-style-type: none"> ▪ Employer branding ▪ Recruitment ▪ Selection
Talent development	<ul style="list-style-type: none"> ▪ Development planning ▪ Executive development ▪ Performance management ▪ Career planning ▪ Coaching and mentoring
Talent deployment	<ul style="list-style-type: none"> ▪ Organisational and job design ▪ Person-job fit ▪ Internal mobility ▪ Skills audits ▪ Succession planning
Talent retention	<ul style="list-style-type: none"> ▪ Conditions of service ▪ Flexible employment rules and conditions ▪ Recognition and reward ▪ Organisational culture and climate ▪ Leadership ethos and styles ▪ Working environment

Source: Compiled by authors

4.3 Key aspects of the proposed HR governance framework

The philosophy of the HR governance framework revolves around leadership, sustainability and corporate citizenship. To facilitate understanding of the thought process debated and changes in the framework (IOD 2009 (a):12), the following key aspects are highlighted:

- Good governance is effectively about *effective leadership* (IOD 2009 (b):10; SABPP 2009:11). Leaders should rise to the challenges of modern governance. Such leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency and based on moral duties that find expression in the concept of Ubuntu. Responsible leaders direct organisational strategies and operations with a view to achieving sustainable economic, social and environmental performance (IOD 2009

(b):10-11). HR professionals should support leaders to provide effective leadership and to implement sustainable business strategy. They should also consider the impact of business strategy on employees and the society (SABPP 2009:32).

- *Sustainability* is the primary moral and economic imperative of the 21st century. It is one of the most important sources of both opportunities and risks for organisations. Nature, society, and business are interconnected in complex ways that should be understood by decision-makers. Most importantly, current incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way organisations and management act and organise themselves (IOD 2009 (b):11). HR professionals should (i) provide inputs for the sustainability section of the integrated report and (ii) assure the integrity of HR information contained in the integrated report (SABPP 2009:45).
- The concept of *corporate citizenship* flows from the fact that any organisation is an entity and should operate in a sustainable manner. Sustainability considerations are rooted in the South African Constitution, which is the basic social contract that South Africans have entered into (IOD 2009 (b):11). HR professionals could fulfil this role, for example, by considering the impact of the company's operations on society and the environment, by providing input on the triple bottom line reports, as well as by driving transformation, BEE, human and social capital, and health and safety (SABPP 2009:33-34).

The HR governance framework will ensure that the HR community provides sound governance in South African organisations by utilising this proactive framework. This will ultimately ensure compliance with King III and will also leverage and optimise the people contribution to the triple bottom line. The HR governance framework will moreover enable the HR community in South Africa to answer the following performance questions (as supported by Moore 2011:Internet):

- How efficiently and effectively does the HR function deliver services?
- How effectively does the function focus on priorities and completing milestone tasks (for example, new programme implementation)?
- Is HR managing its finances prudently and complying with legal, regulatory, and internal requirements?
- What is the HR function contributing to the value of the organisation?

5. RECOMMENDATIONS AND LIMITATIONS

Research on HR governance in South African organisations is limited and further studies can add to the theoretical body of knowledge. Due to the theoretical nature of this study, it is recommended that further studies can focus on the practical applicability and effectiveness of HR governance and this model or elements proposed in this model in particular. The limitations of this study are that this model has not been operationalised and therefore needs to be implemented and tested empirically. A further limitation is that because of the fact that this model is based on King III and within a South African situation, it cannot be generalised globally. Despite these limitations, we believe that the proposed governance framework can be valuable for South African organisations.

6. CONCLUSION

The purpose of this article is to recommend an HR governance framework for South African organisations. In its opinion paper on King III, the SABPP (2009:34) indicates that the development of HR governance frameworks will strengthen the governance of South African companies. Deloitte (2008:25) asserts: “GRC [governance, risk and compliance] provide a perfect opportunity for CHROs [chief HR officers] and HR organisations to move beyond their traditional administrative role and earn a seat at the strategy table – providing HR with a level of credibility and respect that’s long overdue.” An HR governance framework will also highlight the importance of the HR function as well as its impact and relationship to other important organisational activities.

In the words of Kreissl (2012:Internet): “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 an organisation does business and makes decisions at the highest levels – right up to and including its board of directors.” This framework will ensure that decisions related to people management practices are governed at the highest level thereby strengthening HR and management credibility.

As Koob (2012:Internet) comments: “The bedrock for effective HR governance is a clear sense of direction – for the company, the overarching workforce strategy and for each strategic driver. Without it, the HR leader would be building a leadership and management structure on sand and the shifting winds of time and change will easily and quickly destroy what is built”. HR will thus be able to adopt a leadership role and this can ensure the

enforcement of an ethical culture. Additionally, a HR governance framework can highlight the importance of HR structures which includes adherence to policies, processes and procedures.

A new era of HR governance has therefore arrived and for many companies, there is now an opportunity (soon to become a necessity) to apply a powerful framework of governance to major functions (Sussman 2006:Internet). Progressive HR directors and managers will become HR governors – true high-level professionals who connect HR with the board. The true test of a successful HR function operating from an HR governance perspective will be the quality and quantity of HR inputs into the company's integrated report. Only then will HR be able to claim that they deserve to have a meaningful impact at board level (SABPP 2009:35). Through this study a country-specific governance framework was identified, and in the authors' opinion, one that can improve governance of South African organisations if implemented.

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