

# Fast Facts: HR Governance

The SABPP HR Governance Fact Sheet was published on the 1 May 2017, and this issue of “Fast Facts” captures the essence of the fact sheet. To read the whole fact sheet please [click here](#).

Governance is further defined in corporate governance. According to King IV, corporate governance is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical Culture – creating a culture of doing good for self and others without harm to the environment, society or the economy. Ethical values guide decision making and conduct.
- Good performance – the achievement of strategic objectives and positive outcomes for the organisation, economy, society and the environment.
- Effective Control – achievement of the desired outcome with minimum expenditure of time, resource, waste and effort.
- Legitimacy – the adherence to legislative requirements.

Institute of Directors (2016)<sup>4</sup>

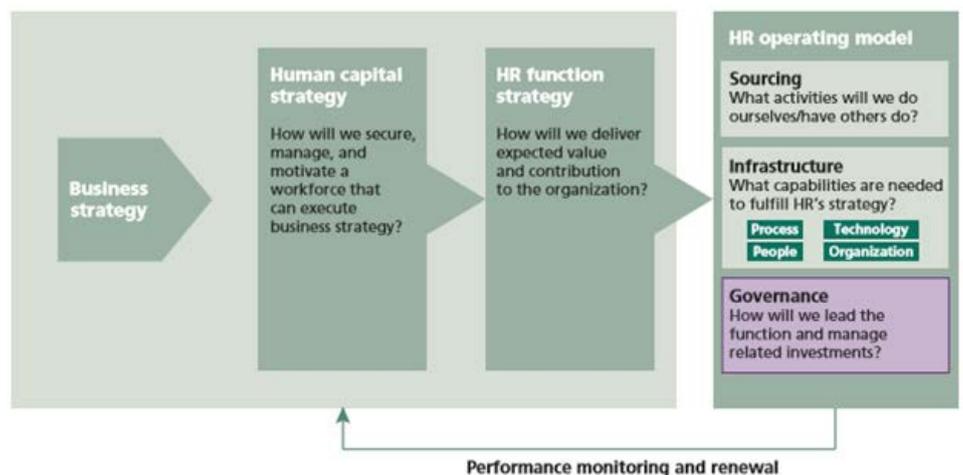
The concept of HR governance is becoming an emerging organisational practice that enforces HR to design their functionality and strategy within a governance framework. By doing so the HR function contributes to the overall company’s performance. According to the Mercer report, Why HR Governance Matters Managing the HR Function for Superior Performance,<sup>1</sup> “HR governance is the act of leading the HR function and managing related investments to:

- optimise performance of the organisation’s human capital assets;
- fulfill fiduciary and financial responsibilities;
- mitigate enterprise HR risk;
- align the function’s priorities with those of the business; and
- enable HR executive decision making.”

## Elements of effective HR governance



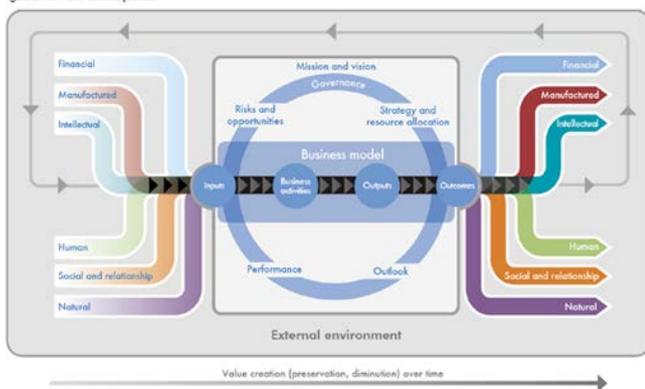
## How HR governance aligns with organizational strategies



- 1 www.mercer.com
- 2 www.mercer.com
- 3 www.mercer.com
- 4 www.iodsa.co.za

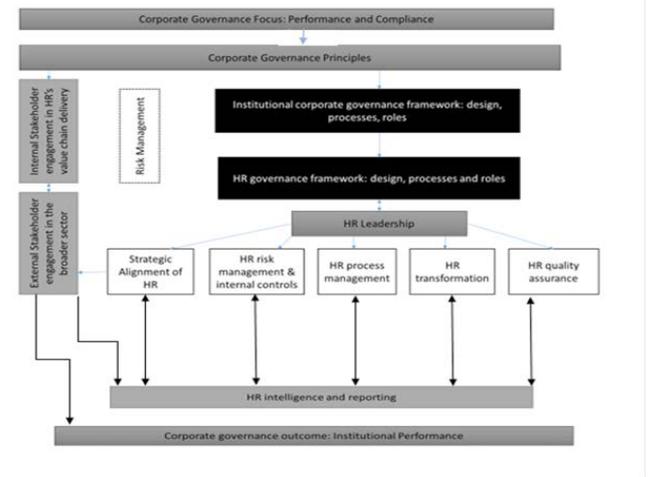
## SIX CAPITALS

### The International Integrated Reporting Council Value Creation Process<sup>11</sup>

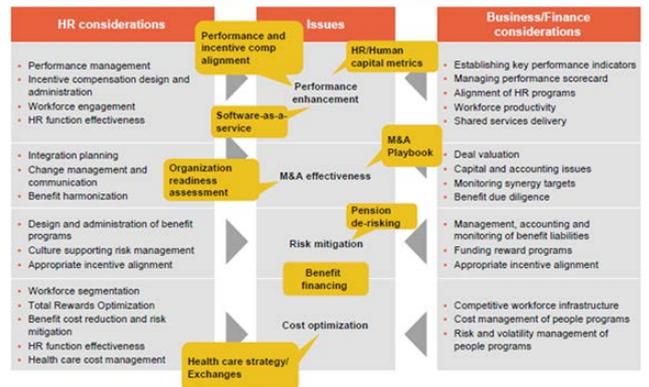


Source: The International Integrated Reporting Council

## The HR governance system for South African institutions (Grobler et al (2014:177))

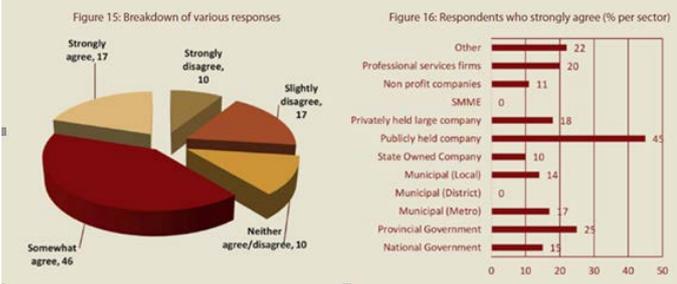


### HR governance: A potential shared agenda and priorities

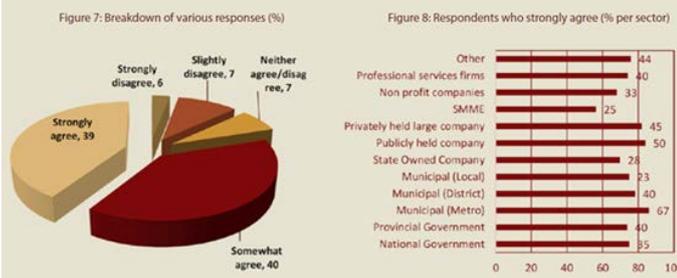


Another element and a theme of King IV relates to the concept of integrated thinking which promotes the connectivity and interdependence between a range of factors that enable an organisation to create value. Integration thinking requires the HR department to integrate HR as advocated with the National HR Standards Model, but also integrate with other functional departments to ultimately create value and support corporate governance. This mindset ensures that HR governance and corporate governance are integrated.

Typical question: Your human capital resources are optimally utilised



Typical question: Your executive team is functioning optimally in delivering the strategy of the organisation



According to the Institute of Internal Auditors of South Africa – 2016 Corporate Governance Index, 26% of the respondents “strongly agreed” that their organisations had suitable Human Resources. Only 17% of all respondents “strongly agreed” that human capital is being used optimally. 46% “somewhat agreed”. Using these statistics as guidance, the room for HR to increase its impact on the organisation’s effectiveness is considerable.

**Leadership Performance**  
Only 39% of respondents “agreed” that the executive team functioned optimally in delivering the strategy of the organisation. 40% “somewhat agreed”.