



Affiliated with  THE INSTITUTES

The Board of Directors and Talent Management: A Requirement, Not an Option

Overview

In the era of environmental, social, and governance criteria, the role of the board of directors has become more complex and nuanced. Over the past several years, a confluence of social and COVID-19-related influences has significantly affected the workplace environment. Social issues related to diversity, equity, and equality, compounded with the upheaval caused by the COVID pandemic, have elevated talent management to a top concern among board members.

While boards have typically focused on CEO and C-suite succession, the lens has widened to include diversity, equality, equity, engagement, and development. Directors realize that talent development, acquisition, and retention are core issues critical to the sustainability and success of a company.

The role of the board of directors has evolved over time, dating back to the 1694 charter of the Bank of England. As the Industrial Revolution occurred globally, many boards consisted mainly of owners/investors interested in safeguarding their own investments while supporting the company founder. Boards have been portrayed in books and movies in many cynical and cartoonish ways, particularly in the form of “rubber stamp” boards who performed at the whim of dominant CEOs.

Fast-forward to the 20th and 21st centuries, when boards’ roles crystallized to represent the interests of shareholders and to entail a more formal governance function—including involvement in talent management, which has increased dramatically over the past decade. These changes were accelerated by government and investor pressure and the need for transparency in succession planning. Many companies benchmark internal heirs apparent to senior positions against who is available in the market.

Today, boards are focusing more on the overall culture of an organization and its relationship to talent management as a competitive advantage. The leadership and management teams throughout the organization need new skills in change management, human resource analysis, and technology in order to build a competitive advantage and retain and recruit talent. The role of the human resources executive has morphed to include many elements of business continuity planning, as evidenced by the challenges of COVID and the need for greater insight into health and welfare management.

Specific Areas of Board Involvement

While many papers have been written on board involvement in talent management, I would like to extract some pertinent points from two of them:

1. "A Deeper Dive Into Talent Management: The New Board":ⁱ
 - a. COVID forced businesses to rethink talent management in operating through the crisis and changes in the work environment.
 - b. COVID added complexity to talent management beyond the need to focus on diversity, inclusion, and sustainability. Examples of this are typically hybrid and remote work environments and a link between the company's values and those of the employee.
 - c. The Securities and Exchange Commission rule increasing the level of human capital disclosures goes beyond the mere reporting of numbers. Disclosures related to objectives used to manage talent, including acquisition and retention, were included in the new rule.

2. "Winning the War for Talent: It's the Board's Responsibility, Too":ⁱⁱ
 - a. Board members must take an active role in influencing the corporate culture as more people are leaving their jobs and openings are increasing.
 - b. Boards require more information about the talent management process and the measurements used to guide it.
 - c. Culture, mission, and values are on the minds of employees and candidates, and boards must consider those factors when evaluating talent management strategies.

We can see from these observations that the demands placed on boards have increased substantially. It is no longer a focus only on the financial and strategic elements of business strategy, but an expanded focus that includes a broad segment of the employee population and how the company is engaging with it.

I can cite an example from my own career. AIG created an environment in which board members would meet regularly with a variety of senior executives and up-and-comers in small groups over lunch or dinner. I participated in several of these informal meetings and appreciated the opportunity to provide board members with an up-close-and-personal perspective of the business. At the same time, the directors shared their views of the company performance and discussed prior experiences in a variety of industries. It allowed me to "place the face with the name" and gain an appreciation for the value of individual board members in the oversight and governance of our strategy. The experience certainly heightened my feeling of engagement with the company. In turn, I held similar informal meetings with employees two steps removed from me in the organization and shared my experience.

Final Thoughts

Board member interaction with company leadership on talent management will continue to increase. Board awareness and action in ensuring that a sound talent management strategy is in place with proper execution and measurements is critical. There is a symbiotic relationship between the key issues of culture, mission, and values and the needs of existing and future employees. These factors require a heightened engagement with employees throughout the organization since many people want to work for

companies whose mission and values are consistent with their personal perspectives. The board and senior company leadership must have a holistic view of all the elements critical to effective talent management in complex and changing times in order to build a competitive advantage in recruiting and retaining talent.

ⁱPaul DeNicola, "A Deeper Dive Into Talent Management: The New Board," Harvard Law School Forum on Corporate Governance, August 12, 2021.

ⁱⁱAnne E. Villanueva and Ann Beth Stebbins, "Winning the War for Talent: It's the Board's Responsibility, Too," Skadden.com, June 1, 2022.

11.2022



Ralph Mucerino
Principal
RPM Strategy and Management Consulting LLC

About the Author:

Ralph Mucerino began his professional insurance career with The Travelers and joined AIG in 1979. He held several roles in the Domestic Brokerage Group earlier in his career including Senior Vice President of Commerce & Industry and Senior Vice President of American Home and National Union where he was responsible for several business units and operations. During a distinguished forty-one-year career with American International group, Ralph led multiple diverse businesses which highlighted his leadership, vision, creativity, adaptability, and emotional intelligence. In 1996, he assumed the CEO role for the Africa-Middle East Region. He then relocated to Japan, where he served as President of the Far East Region, AIG's largest general insurance operation outside of the United States. In November 2008, he was appointed Chief Operating Officer of AIU for the company's international businesses. During his career, Ralph had a wide range of roles in both consumer and commercial insurance, including multiple regional management roles for domestic and overseas businesses, multiple product manager roles in commercial and consumer insurance, multiple leadership roles in distribution, marketing and client management and leadership positions in reengineering of AIG's overseas businesses. Mr. Mucerino retired in October of 2020 as Senior Vice President of AIG.