



# BEYOND BOUNDARIES THROUGH APPLIED QUALITATIVE RESEARCH

**Corporate Governance and the management of HR risks in German listed companies**

Prof. Dr. Thomas Berger, DHBW Stuttgart, Germany, [berger@dhbw-stuttgart.de](mailto:berger@dhbw-stuttgart.de)

Research funded by the Hans-Boeckler-Foundation

# Agenda

Background on HR Risks and Regulation

Interview results

Survey results

Conclusion



*Nickson (2001, p. 25):*

*“Risk management is about mitigating risk and protecting resources.*

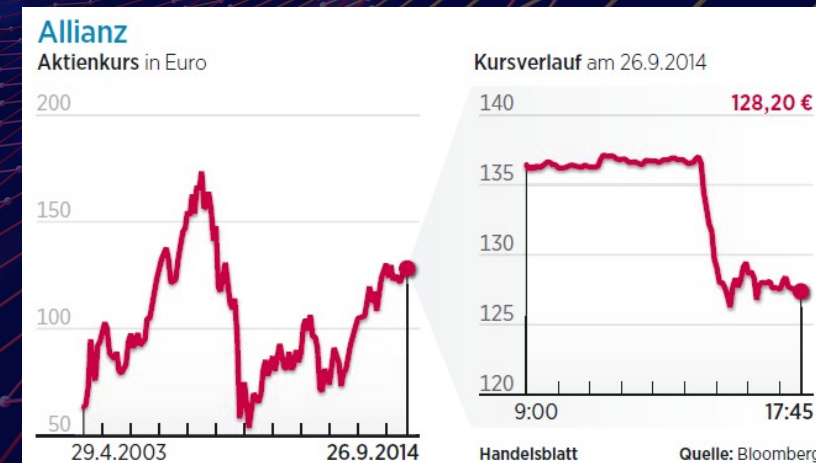
*What is the most valuable resource of any company? Its people.”*

# The relevance of HR risks - Allianz SE and Bill Gross

- Human resource risks can have a high impact and lead to severe monetary consequences
  - Example of Bill Gross leaving PIMCO at the 26th September 2014:
    - Outflow of over 50 USD bn



- Share price down





# Overall aim

Providing concrete information on the kind of risks for HR management and personnel that could evolve as part of the transformational processes.

**How do boards work**, given that half of the members are representatives of the shareholders and half employee representatives?

Special attention was given on the **kind of information** board members receive **on risks** and how they take these information into account for decision-making.

# Studies concerning personnel risks

Study	Method	Scope
Führung (2004)	Content analysis of annual reports	German DAX-listed companies
Baumgärtner (2005)	Survey	Swiss SMEs
Blum and Gleissner (2005)	Survey	105 German SMEs (focus on rating risks)
Kraft and Nolte (2005)	Content analysis of annual reports	22 German insurance companies
Berger and Gleissner (2007)	Content analysis of annual reports	German H-DAX-listed companies
Economist Intelligence Unit (2007)	Survey	218 executives from around the globe
Angermüller and Berger (2010)	Content analysis of annual reports	German H-DAX-listed companies
Beditsch et al. (2011)	Survey	100 German SMEs
PricewaterhouseCoopers (2012)	Survey	45 companies from around the world with 1,530 respondents
Wölwer (2016)	Interview/Survey	22 German SME
Meyer et al (2011)	Focus group	40 South-African HR managers

No empirical data on HR risks from employee representatives (ER), only a few including HR managers. No interview data yet.

# Proposed HR Risk Management Framework by Kobi (2012)



Focus on risk areas instead of interactive nature of HR (motivation, expectations, communication etc.)

based on Kobi, J.-M. (2012): Personalrisikomanagement. Strategien zur Steigerung des People Value (3<sup>rd</sup> Edition, 1<sup>st</sup> edition 2002). Wiesbaden: Gabler Verlag.



# Agenda

Background on HR Risks and Regulation

Interview results

Survey results

Conclusion

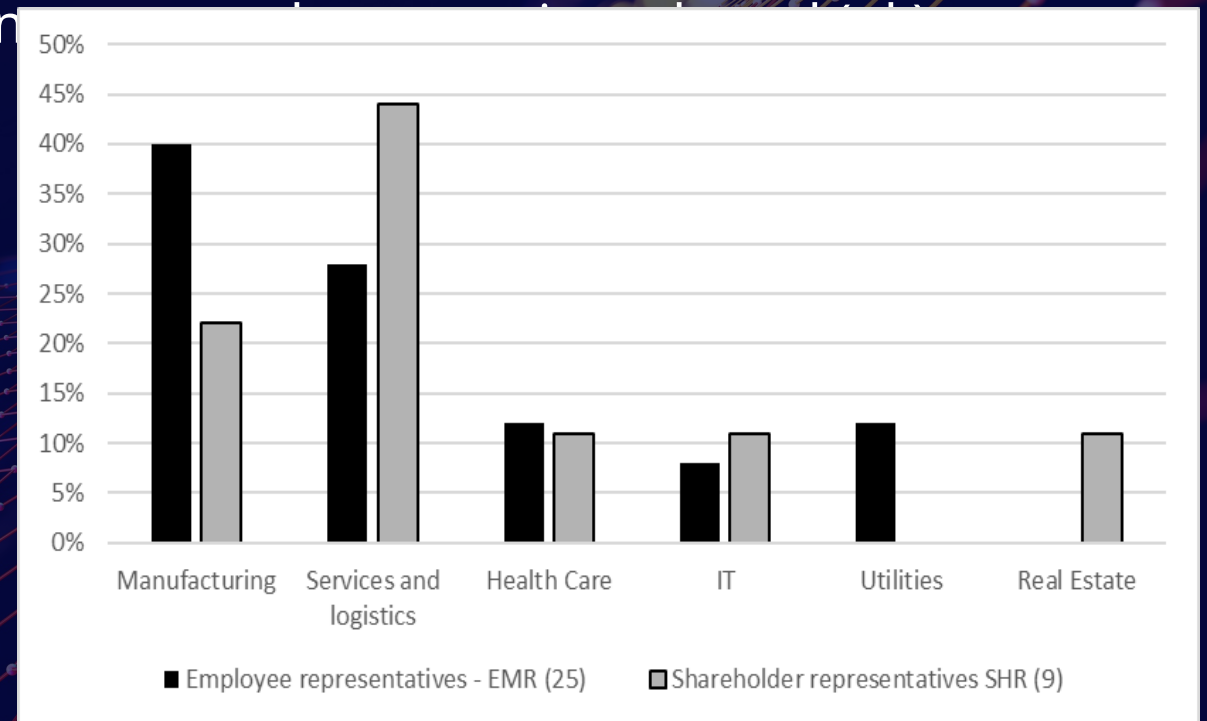


# Sample description

## Aims:

- The most important sectors should be covered adequately (biased towards manufacturing).
- The sample should reflect different company sizes (biased towards larger ones).
- At least one third of the interviewees should be shareholder representatives (9 vs. 25).
- All interviewees should have served at least one year in the company.
- Parity of women and men (44% women)
- Structured interviews with open-ended and closed questions
- Duration: ER: 45-60 min, SR: 30-45 min.

Aim: to explore the field, check if awareness and experiences are different for ER and SR and to get a first idea on the prevalence of HR risks.



# Results

- Co-operative behaviour with none mentioning negative atmosphere in the board
- 61% mentioned consensus-based decisions as the norm (15% not)
- HR risks in general discussed in all boards at least once
- 62.5% did not discuss HR management-related risks
- No meaningful differences between ER and SR, nevertheless:
  - ER mention more ‚operational‘ issues and more concrete topics and tools  
*‘employee surveys, health surveys, executive board remuneration, ecological KPIs and social topics of employee surveys‘ (ER 6).*



# Agenda

Background on HR Risks and Regulation

Interview results

Survey results

Conclusion

# Sample description

All members in the database of the Hans-Boeckler-Foundation were contacted (2,400) and 329 filled-out the questionnaire (13.7% response rate).

14 pages and 21 questions (22 min. mean completion time), e.g.

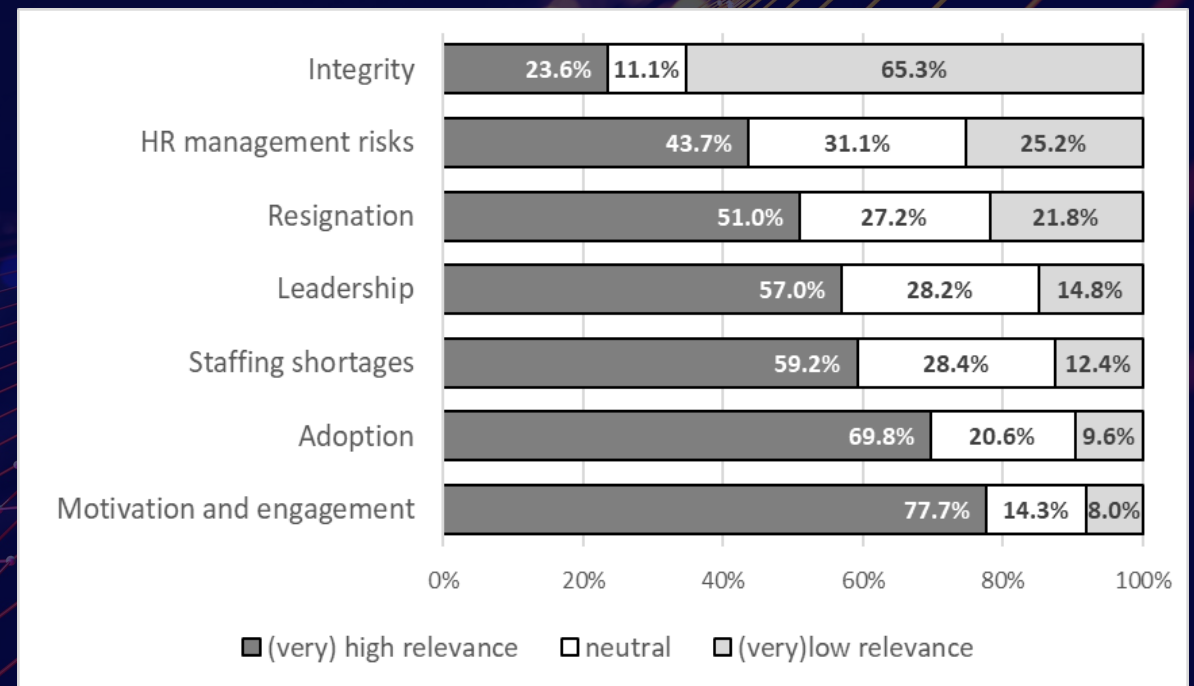
- Questions on the supervisory board membership (role, membership)
  - Questions regarding collaboration in the board
  - Questions regarding corporate strategy and HR strategy and the discussion of these topics
  - Questions on the quality of information received on risks
  - Questions regarding the relevance of potential HR categories (based on Kobi 2012)
- 46% ER in companies > 10,000 employees



# Sample description

- 78.8% report having a written corporate strategy, only 42.6% had a written HR strategy
- Even if both are in place, only 25.6% see them as co-ordinated
- If HR strategy was in place, it is more likely to be discussed in the supervisory board ( $p < 0.001$ ).
- 72.7% receive sufficient information on the risks in general, 32% on HR risks
- Not satisfied with risk information on HR risks: 67.2%

- Most relevant risk areas:  
motivation/engagement and  
adoption risks



# Agenda

Background on HR Risks and Regulation

Interview results

Survey results

Conclusion



# Main points

- Risk management systems provide meaningful information on risks in general
- HR risks not adequately covered in those systems
- Reasons mentioned:
  - No models available
  - Quantification difficult
  - People-business – many risks and triggers for risks are intertwined
- Views of employee representatives and shareholder representatives not much different

## Next steps:

development of an HR risk management model, tools for analysis and implementation of HR risk management in three companies.