



Review Article

Volume-03|Issue-02|2023

Corporate Governance the Link with Human Resources Management: A Review of the Literature

Fred Hlabiso*¹ & Ignatius Isaac Dambudzo²¹Faculty of Law and Commerce, Zimbabwe Open University.²Faculty of Education, Zimbabwe Open University.

Article History

Received: 27.02.2023

Accepted: 10.04.2023

Published: 30.04.2023

Citation

Hlabiso, F., & I. I. Dambudzo (2023). Corporate Governance the Link with Human Resources Management: A Review of the Literature. *Indiana Journal of Economics and Business Management*, 3(2), 8-13.

Abstract: Using literature survey and analysis, this paper scrutinised the link between corporate governance and human resources management in organizations. The scrutinisation of the link between corporate governance and human resources management in organizations stemmed from the important role that both corporate governance and human resources management play in organizations. The literature reviewed showed that the two phenomena, corporate governance and human resources management play an equal and important role for the success of organizations. From the reviewed literature, it emerged that, without good corporate governance, human resources units within organizations may not be able to realise organisational efficiency or effectiveness. The reviewed literature showed that corporate governance is viewed as one of the key drivers for organizational success. This is derived from organizational policies that are formulated and directed from top management or corporate level. At the same time, the reviewed literature showed that human resources management is one of the cornerstones of organizational efficiency due to the role it plays in any organization. The results also indicate that the effectiveness of human resources management is dependent on good policies and their adherence as determined by corporate governance.

Keywords: Corporate Governance, Link, Human Resources Management, Scrutinization, Key Drivers and Efficiency.

Copyright © 2023 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0).

INTRODUCTION

All organizations that are formed or established aim to succeed in their operations and there are several aspects or factors that may have some bearing on their success, such as corporate governance and human resources management, among others. Arjoon (2013), is of the view that corporate governance plays an important role in the crafting of policies, injection of manpower and provision of resources, among other roles, which are all aimed at the attainment of organizational goals and objectives. On the same note, Campbell (2011), suggests that organizations with good corporate policies usually realise their goals and objectives. Campbell (2011), further contends that this is different from organizations with bad policies that in most cases, fail to achieve their goals and objectives. Relatedly, Davis (2006), avers that some organizations may have good policies but may fail to achieve their intended goals or objectives if critical positions within them are not occupied by the right people. Fournier (2017), believes that, under normal circumstances, it is the duty of human resources management units or departments to ensure that all positions in their organizations are occupied by the right people, hence the importance of human resources management. It is in view of this aspect that this study sought to scrutinise the link between corporate governance and human resources management in organizations.

LITERATURE REVIEW

In order to address the objective of this research, the study explored literature on corporate governance, focusing on its meaning, purpose and benefits, among other aspects. It also presented a review of literature on human resource management concentrating on its (human resources management) meaning and benefits among others.

Corporate Governance

In relation to literature survey and analysis conducted in this study, it was revealed that there is no definitive definition of corporate governance and that a number of authors have come up with varying definitions. In this regard, authors such as Clarke (2007); Dallas (2004); Monks & Monow (2010); Al Mutairi *et al.* (2012); Peter (2003); Robert (2010); & Hardi & Buti (2012), among others, have attempted to provide general working definitions of corporate governance, where they suggest that corporate governance refers to the system of rules, practices and processes by which a company, organization or entity is administered and controlled. In addition, Campbell (2011), says that many authors have jointly produced what they feel ought to be some guiding principles on corporate governance. Relatedly, Mutasa (2013), avers that some individuals have produced guidelines on corporate governance at the behest of either their

countries or some organizations. To this end, countries such as the United Kingdom and South Africa among others produced the United Kingdom Cadbury Report (1992) and the South African King Report (1994) respectively. Nevertheless, it appeared that from all the authors whose works were analysed, they basically define corporate governance as 'the systems by which companies or organizations are directed and controlled. This study is of the view that corporate governance is about systems of rules, practices and processes by which organizations are controlled and administered and the system of rules, practices and processes have to be approved by officials at the top of such organizations. For the systems to be effective there ought to be a unit that ensures that the systems for such organization are put in place and adhered to. The unit to be put in place must ensure that the systems are crafted by the right people. The right people to craft the systems for any organization are supposed to be put in their positions or appointed by units such as the human resources management. This therefore brings to the fore the importance of human resources management units in organizations, in as far as the crafting of systems of rules for any organization is concerned. This study is of the view that corporate governance is about how organizations are run and controlled considering views of and directions given by the ones at the top level of such organizations. Additionally, the study is of the view that this applies to either private or public organizations. This is so because views of, and directions of the top most individuals or officials in either private or public organizations have some bearing on operations of the organizations. In most cases views of the top most officials are cascaded down to the last person in the organization through communication means that are suggested by human resources management. What this means is that without human resources management units in organizations, important information from the top may not easily find its way down to all employees of the organization.

On the importance of the phenomenon of corporate governance, authors such as Arjoon (2013); Barker (1997); & Bhasin (2012); Ndlovu *et al.* (2013); & Cooper (2007) among others agree that corporate governance plays an essential role in the success of any organization and that, without good corporate governance, companies or organizations find themselves crumbling. Relatedly, Gugler *et al.* (2003), describe corporate governance as a phenomenon, which concerns the manner in which organizations and corporations are regulated and managed. From this definition, it becomes

very clear that corporate governance plays an important role in the manner in which organizations and institutions are regulated and managed. For the management of organizations to be effective there ought to be individuals that play the management role. The role is done by the individuals in positions of authority. At the same time, such positions ought to be occupied by the right individuals if the organizations are to be successful in their operations. This then brings to the fore the importance of human resources management units or departments within organizations. Human resources management units play some essential role in helping organizations in the identification of the right persons for any post within organizations. What this means is that good corporate governance systems without human resources management input may not lead to the realisation of desired goals or objectives of the organization. This leads to the importance of human resources management in corporate governance. Peter (2003), recommend that corporate governance must embrace systems of governance which consist of formal and informal institutions, laws, values and rules that generate legal forms that organizations are run and controlled. Human resources management play some important role in coming up with formal and informal institutions that are used in organizations. This is done through advice and proposals that human resources management units or divisions give to senior management or the head of any organization in as far as the coming up with formal and informal institutions for organizations is concerned. This again brings to the fore the importance of human resources units or departments in corporate governance. Fisher (2010), avers that legal frameworks for organizations must conform to the legal rules and laws that are applicable to the country from which the organizations operate. Legal rules and laws for any organization are crafted by legal officers for such organizations. The legal officers for organizations are employed following some input from human resources units or departments. This further shows how important human resources management is in corporate governance.

Dallas (2004), opines that corporate governance has a set of key principles, and that they include among others ethical conduct, openness and transparency, participation, fair conduct, rule of law, responsiveness, innovation and openness to change, efficiency and effectiveness and competency and capacity, among others. It is the responsibility of human resources management to ensure that all employees and officials in any organization conduct themselves in some ethical manner. Human resources management units or departments deal with cases of employees and officials that behave in some unethical manner. It is the responsibility of human resources management units to bring employees and officials who behave in some unethical manner before some disciplinary hearings. Also, it is the responsibility of human resources management units or departments to recommend the

discharge of employees and officials who behave in some unethical manner in organizations. Human resources management units or departments also have some role in ensuring that employees and officials carry out their duties efficiently and competently. The same units or departments may in some cases recommend the discharge from the organization of employees and officials whose performance is deemed below the expected standards. The units do so after following due processes. Clarke (2007), identifies six (6) pillars of corporate governance, namely responsibility and accountability, transparency, rules of law, effectiveness and efficiency, participation and moral integrity. Human resources management units or departments ensure that employees and officials act responsibly in whatever they do. The same units or departments are involved in processes that are done to discharge employees and officials from the organization who behave irresponsibly. The units or departments also play some role in ensuring that every employee or official of the organization is made accountable for their actions. It is also the responsibility of human resources management units or departments to ensure that every employee or official in the organization is of moral integrity. In concurrence with Clarke (2007); & Robert (2010), however limit the basic principles of corporate governance to responsibility, transparency, accountability and fairness. It is the responsibility of human resources management units or departments in any organization to ensure that all those in positions of authority act in a fairness manner in whatever they do. Where it is discovered that some officials act in an unfair way or manner in an organization, it becomes the responsibility of human resources units or departments to ensure that corrective measures are put in place. Page (2005) further widens the definition of corporate to include processes, mechanisms and structures within an organization, which ensure that there is stability, transparency, rule of law, broad-based participation, inclusiveness, responsiveness, accountability, empowerment and equity within the same organization. Human resources units or departments also have a role of ensuring that fairness and justice prevail in all areas within their organizations. Furthermore, human resources management units and departments have a responsibility to ensure that empowerment within organizations is done in a transparent manner. Zhou (2019), believes that corporate governance has some characteristics that mark the foundation of its basis. These characteristics, according to Zhou (2019), are equity, rule of law, consensus orientation, accountability, transparency, effectiveness and efficiency and responsiveness among others. On the other hand, Charan *et al.* (2013), opine that characteristics which form the basis of corporate governance are fairness to employees and customers, effective risk management, transparency and information sharing, well pronounced organisational strategy, constant self-appraisal, corporate social responsibility and discipline as well as commitment to work by employees. Human resources units or departments play a critical role in ensuring that

appraisals are done for all employees and officials within their organizations. It is also the responsibility of human resources management to ensure that organizational strategies for their organizations are well pronounced. Laouer & Harigoyen (2013), affirm that some of the characteristics of corporate governance are accountability, effectiveness and efficiency, participatory, rule of law, consensus oriented, transparency, inclusivity, responsiveness and equitability. On the other hand, Robert *et al.* (2010), suggest that there are several pillars of corporate governance and that they include, among others, responsibility and accountability, effectiveness and efficiency, rules of law, moral integrity, participation and transparency. For all these pillars to be effective, human resources management units or departments have to play some role, hence its (human resources management) importance on all aspects to do with corporate governance.

Human Resource Management

Human resources management can be described as a function within an organisation, institution or an entity that has the responsibility to bring in new individuals or persons and taking care of them and those within, as well as making some leave it after having followed due processes (Davis 2006). When human resources management units hire individuals for any posts that arise in their organizations, they consider views of the ones at the top level of the organization. According to Marquet (2013), the human resources management function involves the identification of gaps within, which require to be filled up. When identifying gaps that require to be filled, human resources management units consider views of the ones at the top level of the organization. Human resources management units do not decide on their own, without input from officials at the top most posts within their organizations. Maxwell (2007), proposes that after establishing gaps to be filled within, those in the human resources management unit or department decide on the qualifications that the ones to fill the gaps should hold. Again, the human resources management units incorporate in their suggestions, views of officials at the top of the organizations. After this establishment, those responsible decide on where the ones to fill in the gaps are to be recruited. On this aspect, it may be decided that the individuals to fill the gaps be either from within or outside the organization. Also, views of officials at the top of the organizations are considered, hence the link between corporate governance and human resources management.

The next step after deciding where the individuals are to be recruited from, a decision on the method to be used to invite individuals interested in filling up the identified gaps is then made. The decision is made by the human resources management units with guidance from the officials at the top of the organization. This is usually through some advertisements. If those to

be invited are from within, communication channels that are normally used for other purposes are employed to relay the message to all those interested. Communication channels used may either be in the form of circulars, or e-mails among others. Human resources management units proceed with the process after getting a nod from the ones at the top of the organization. On the other hand, if the ones to be considered are outside the organization, they are notified through public print or electronic media. Required qualifications for the posts or gaps to be filled are stated when invitations are made (Wheelan & Hunger, 2008). Officials at the top of the organization give direction on the qualifications required for each and every post to be filled. Charan *et al.* (2013), aver that, when responses from interested persons or individuals either from within or outside the organization are received they are directed to human resources units or departments, which do the selection process. Any selection process takes the format agreed upon by the ones at the top of the organization. Grove (1995), affirms that, in selecting those that may be considered for the posts, the human resources officers select the ones they consider the best. On this aspect, they look for applicants with the best qualifications as well as good record. Horowitz (2014), proclaims that individuals found with criminal records are automatically left out by the human resources officers and that they are not considered for selection. Furthermore, Scott (2008), says that after the selection process has been done, prospective employees are called for interviews. Monks & Minow (2010), opine that interviews that are conducted by the human resources units are aimed at coming up with the best individuals to employ. Xu (2020), submits that when carrying out interviews, those involved in the process are expected to follow some given guidelines that conform to rules and regulations of their organization. Rules and regulations for any organization are approved by the officials at the top of such organization.

According to Bock (2015), the next stage after interviews, is the hiring of the successful individuals. The hiring of new employees is done following approval by the ones at the top of the organization. When the individuals are hired, they are then deployed to their places of work. In some cases, deployment of new employees is done with the approval of officials at the top of the organization. John *et al.* (2005), are of the view that, upon deployment, new employees undergo some induction processes. Wheelan & Hunger (2008), believe that it is the responsibility of human resources units within organizations to ensure that new employees are properly taken through some induction process. According to Bock (2015), work induction is a process by which new employees are introduced to a number of issues at their new work place. Bock (2015), further mentions that, during the process the new employees are shown around the work place and that they are also given direction on how they are to execute their duties. Furthermore, Williamson (1970), states that human resources units ensure that the employed individuals are

managed in their positions. Management of employees during the period of their employment is done in accordance with rules and regulations that are approved by officials at the top of the organizations. Many processes come to the fore in as far as the management of the employees is concerned. The processes include the provision of systems that ensure that the employees get paid when either their salaries or wages are due, the provision of materials or systems that enable the employees to know the happenings within their organization and the provision of systems and materials that ensure that the employees know their rights during the course or after their employment with the organizations, among others (Little, 2002). Salaries for any employee within an organization is determined and approved by officials at the top of such organization.

The human resources units also ensure that all employees get fair treatment during the period of their employment. Fournier (2017), suggests that, during the period of employment, some individuals get promoted to higher posts than the ones they would have joined the organisation at. Any promotion within any organization is done with the approval of officials at the top of such organization. In accordance with Ibarra (2015), where promotions are done within an organization, it is the responsibility of the human resources units to accord equal chances to all employees eligible for promotion. In doing so, human resources management units follow rules and regulations approved by officials at the top of the organization. At the same time, Kirkpatrick & Locke (1991), advance that where proper procedures are followed, the best and right individuals are promoted within organizations. Procedures to be followed in any organization are crafted by units such as the human resources management with input from legal divisions and are approved by the ones at the top of such organization. It is the responsibility of human resources units to ensure that employees get some form of training during their period of employment (Rock, 2009). Any training programmes for employees and officials are approved by officials at the top of such organizations, hence the link between corporate governance and human resources management.

RESULTS AND DISCUSSION

This study showed that the meaning of corporate governance and all its characteristics as well as its principles and that of human resource management go hand-in-glove. What this means is that corporate governance is of paramount importance in human resources management. Human resources management units cannot be on their own without the aspect of corporate governance. At the same time, corporate governance cannot be achieved without human resources management. Corporate governance, as Gugler *et al.* (2003), suggest, is a phenomenon that concerns the manner in which organizations and corporations are regulated and managed. In a related explanation, Williamson (1970), says human resources management

units within departments ensure that employed individuals are managed in their positions. From both explanations it is clear that the two phenomena have some roles to play in organizations. In the management of individuals within organizations, human resources management units or departments use rules and regulations that are crafted with guidance from the ones at the top of such organizations. This is in line with corporate governance tenets as alluded to by Bhasin (2012) that any rules and regulations for any organizations are approved by those at the top of such organization. Rules and regulations, according to Bhasin (2012), applied in organizations are formulated with some inputs from owners of such organizations. This implies that human resources management units may not craft rules or regulations to be applied within organizations without the input of the ones at the top or owners of such of organizations. The ones at the top of organizations therefore have an important role to play in as far as the crafting of rules and regulations to be applied in their organizations is concerned.

Corporate governance, as Zhou (2019), opines, has characteristics that mark the foundation of its basis and these include equity, rule of law, consensus orientation, accountability, transparency, effectiveness and efficiency and responsiveness. It is apparent that, for these to be achieved, human resources management units within departments become vital components. It is therefore the responsibility of human resources management units within organizations to ensure that all employees are accountable for their actions or deeds. Without human resources management units which ensure that all employees and officials are made accountable for their actions, the rules may become useless.

Human resources management units within organizations also play some important role in ensuring that all employees within organizations abide by the rules and regulations that govern operations within the organizations. In line with Rock (2009)'s assertions that it is the responsibility of human resources management units within organizations to ensure that employees are taken through some training on what they are expected to do during the course of their duties, this is in tandem with one of the characteristics of corporate governance as proposed by Zhou (2019). In addition, Zhou (2019), asserts that effectiveness is one of the characteristics of corporate governance. For employees to be effective, they ought to take part in some company orientation or induction. This then becomes the responsibility of human resources management units to ensure that all employees receive some form of orientation, hence the link between the two phenomena of corporate governance and human resources management.

In corporate governance, the ones at the top of organizations may direct that there be some form of in-service training for employees of the organizations.

However, without implementation, such directives may not yield desired results. To implement the directives on training, the human resources management units have to play a role by ensuring that the ones to be trained are taken through the training process. This further brings to the fore the link between the two phenomena of corporate governance and human resources management.

All employees within organizations are expected to be transparent in the way they carry out their duties. This is because transparency is given as one of the characteristics of corporate governance. Human resources management units have the responsibility to ensure that all employees within their organizations are transparent in the manner in which they carry out their duties.

CONCLUSION

This study concluded that there is a link between corporate governance and human resources management and that the two phenomena play some equal and important roles in organizations. The success of organizations is dependent upon the workers who are rightfully placed in in any position in an organization. The placing of the right individuals or officials in organizations is done by human resources management units. At the same time, placing of the right people with the correct and required qualifications and attributes can only be achieved if there are proper rules to follow by those in the human resources management units or departments. Again, the rules and regulations to be applied in any organization have to be approved by the ones at the top of such organizations. Organizations may have excellent rules and regulations, but may not be successful if there are no mechanism that ensure that the rules are communicated to every employee or official and that they are adhered to. Crafting of regulations and rules for organizations are done with the input from top officials of organizations and they are communicated through human resources management units. This means that without the other that is corporate governance and human resources management, organizations may not realize their goals or objectives. This therefore brings to the fore the link and importance of both corporate governance and human resources management in organizations.

REFERENCES

1. Al Mutairi, M., Tian, G., Hasan, H., & Tan, A. (2012). Corporate governance and corporate finance practices in a Kuwait Stock Exchange market listed firm: A survey to confront theory with practice. *Corporate Governance. The international journal of business in society*, 12(5), 595-615.
2. Arjoon S. (2013). *Corporate Governance: An Ethical Perspective*. University of the West Indies St. Augustine, Trinidad.

3. Barker, J. (1997). *Governance and regulation of power pools and system operators: An international comparison* (Vol. 382). World Bank Publications.
4. Bhasin, M. L. (2012). Audit committee mechanism to improve corporate governance: Evidence from a developing country. *Modern Economy*, 3, 856-872.
5. Bock, L. (2015). *Work Rules: Insights from Inside Google That Will Transform How You Live and Lead* (1st Ed.). ISBN-10: 1455554790.
6. Hardi, P., & Buti, K. (2012). Corporate governance variables: Lessons from a holistic approach to Central-Eastern European practice. *Corporate Governance: The international journal of business in society*, 12(1), 101-117.
7. Campbell, D. (2011). *Independence as a Concept in Corporate Governance*. ACCA.
8. Charan, R., Carey, D., & Useem, M. (2013). *Boards that lead: When to take charge, when to partner, and when to stay out of the way*. Harvard Business Review Press.
9. Clarke, T. (2007). *Theories of Corporate Governance, the Philosophical Foundations of Corporate Governance*. Bell and Bain Glasgow, London.
10. Cooper, S. M. (2007). *Corporate Governance in Developing Countries: Shortcomings, Challenges & Impact on Credit*. UNCITRAL.
11. Dallas, G. S. (2004). *Governance and Risk: An Analytical Handbook for Investors, Managers, Directors and Stakeholders*. New York: McGraw-Hill.
12. Davis, G. F. (2006). *Organisations and Organising: Rational, Natural and Open System Perspectives*. Routledge.
13. Du Plessis, J. J., Hargovan, A., & Harris, J. (2018). *Principles of contemporary corporate governance*. Cambridge University Press.
14. Fisher, J. (2010). *Corporate Governance and Management of Risk*. Best Management Practice Management Paper.
15. Fournier, C. (2017). *The Manager's Path* (1st Ed.). O'Reilly Media.
16. Grove A. S. (1995), *High Output Management*, 2nd Edition. Vintage.
17. Gugler, K., Mueller, D. C., & Burcin Yurtoglu, B. (2003). The impact of corporate governance on investment returns in developed and developing countries. *The Economic Journal*, 113(491), F511-F539.
18. Horowitz, B. (2014). *The Hard Thing about Hard Things*. Harper Business.
19. Ibarra, H. (2015). *Act Like a Leader: Think Like a Leader*. Harvard Review Press.
20. John, C. (2005). *What is Corporate Governance?* McGraw Hill, New York, USA.
21. Kirkpatrick, S. A., & Locke, E. A. (1991). *Leadership: do traits matter*. *Academy of Management Executive*, 5(2), 48-60.
22. Laouer, R., & Hirigoyen, G. (2013). *Convergence of Corporate and Public Governance: Insights from Board Process View*. SAGE.
23. Little, P. (2002). *Communication in Business*. London, UK: Longman.
24. Marquet, D. (2013). *Turn the Ship Around: A True Story of Turning Followers into Leaders*. New York, USA: McGraw Hill.
25. Maxwell, J. C. (2007). *The 21 Irrefutable Laws of Leadership: Follow Them and People Will Follow You*. Harper Collins Leadership, Yates & Yates.
26. Monks, R. A. G., & Minow, N. (2010). *Corporate Governance* (4th Ed.). England: John Wiley and Sons Ltd.
27. Mutasa, T. (2013). *The Role of Corporate Governance in Creating Business Sustainability*. Zimbabwe Leadership from (ZIMLEF) ICAZ Winter School.
28. Ndlovu, M. W., Bhiri, T., & Mutambanadzo, T. (2013). A comparative analysis of the corporate governance practices in multinational and domestic banks in Zimbabwe. *Journal of Emerging Trends in Economics and Management Sciences*, 4(5), 473-480.
29. Page, J. P. (2005). *Corporate Governance and Value Creation*. University of Sherbrooke, United States of America.
30. Peter, K. (2003). *Corporate Governance and Capital Flows in a Global Economy*. New York: Oxford University Press.
31. Robert, A. G. (2010). *Corporate Governance* (4th Ed.). West Sussex, England: John Wiley and Sons.
32. Rok, B. (2009). Ethical context of the participative leadership model: taking people into account. *Corporate Governance: The international journal of business in society*, 9(4), 461-472.
33. Scott, W. R. (2008). *Organisations: Rational Natural and Open Systems* (4th Ed.). Amazon Book Clubs.
34. Wheelan, T. L., & Hunger, J. D. (2008). *Strategic Management and Business Policy* (11th Ed.). Pearson International Edition.
35. Williamson, O. E. (1970). *Corporate Control and Business Behaviour*. Englewood Cliffs: Prentice-Hall, Inc.
36. Xu, A. (2020). *System Design Interview: An Inside Guide*. ISBN-13: 97-8664653403.
37. Zhou, J. (2019). *The Making of a Manager: When Everyone Looks to You*. Harvard Business Review.