

SHRM MEMBERS *for* Transparency

WWW.shrmmembersfortransparency.com
Members@shrmmembersfortransparency.com

August 8, 2012

The following email from SHRM's Bob Carr to all SHRM State Council Directors and Chapter Presidents includes a message from SHRM CEO, Hank Jackson. In Jackson's letter he attempts to discredit and discount the SHRM Members for Transparency's effort to bring about meaningful change in SHRM Board governance.

We have taken his letter and inserted our indented comments **in blue** within his letter.

WE'D LIKE TO SET THE STORY STRAIGHT!

From: Bob Carr, SPHR [Communications@shrm.org]
Sent: Monday, August 06, 2012 7:29 PM
To: Marilyn Hoppen
Subject: SHRM CEO Update Regarding Board Elections and Other Matters

Dear State Council Directors and Chapter Presidents,

We have received several questions from our volunteer leaders regarding communication from a non-SHRM group.

SHRM officials always describe SMFT as a "non-SHRM" group. In fact, SMFT is made up of SHRM members, former SHRM volunteer leaders and CEO's, and *current* SHRM volunteer leaders, such as Chapter Presidents, Chapter Board members, and State Council members, just like you. To imply that some SHRM members are not part of SHRM simply because they disagree with the policies and practices of SHRM's Board of Directors is deliberately inaccurate. We are dues-paying members and volunteer leaders who make up the organization that is SHRM, regardless of what Mr. Jackson would like to have you believe. Our Steering Committee (see *Who We Are* at www.shrmmembersfortransparency.com) is made up of about 50 SHRM members with over 1500 years of SHRM membership.

Many volunteer leaders, particularly newly-elected leaders, do not appear to be aware of the group's on-going campaign to influence the governance and strategic direction of SHRM. Below is a compilation of our responses to their activities during the past 18-24 months which is posted in the Volunteer Leaders Resource Center

(VLRC) of the website at <http://www.shrm.org/Communities/VolunteerResources/Pages/MessagefromtheCEO.aspx><http://msg.shrm.org/site/R?i=irYVNNYAdWiclVe_E2ij4A>. Several volunteer leaders have indicated that they do not have time to respond to all the questions that come up, so this will allow you to refer any inquiries directly to the SHRM website. Please share this with your council/board members.

As always we appreciate your continued support, and please do not hesitate to let us know if we can be of further assistance.

J. Robert Carr, JD, SPHR
SVP, Membership, Marketing & External Affairs Society for Human Resource Management
1800 Duke Street
Alexandria, VA 22314-3499
Phone: 703-535-6136
Mobile: 571-251-2771
E-mail: Robert.Carr@shrm.org<<mailto:XXXX@shrm.org>>
www.shrm.org<http://msg.shrm.org/site/R?i=ZTIreb0kw5CxoY50_ad18w>

CEO Update Regarding Board Elections and Other Matters

Background

The SHRM Board and management have listened and responded to members of the Group questioning the governance of SHRM. This has been on-going at least since 2005. In June 2012, I spoke with their spokesperson and in our prior conversations, I listened to all of their concerns; our Board Chair discussed the group's concerns with their spokespersons. In addition, group members personally wrote to all SHRM Board Members and they shared their concerns with the MAC. After our discussions, many of the respected members of the group informed us that they would no longer associate with the group.

The statement that "many" have left our group is simply not true. "Many" is defined as more than one, more than two (a couple) and more than three (several). Of our 50+ Steering Committee members, we have had only one individual decide to leave our Steering Committee. Furthermore, this individual did not discuss the choice to leave with any SHRM official.

Quite frankly, we believe maintaining such a large, dedicated group that requires high levels of volunteer effort and personal expense is a great accomplishment and is totally inconsistent with Mr. Jackson's comments. In addition, this high level of retention has been attained notwithstanding the retaliatory actions the Board has taken against some of our SMFT members.

Clearly, Mr. Jackson's suggestion that our group is no longer committed is an extreme exaggeration.

We realize that reasonable people can and will disagree on policy issues and that all members are entitled to raise concerns they have. Nonetheless, the issues raised by this group have been exhaustively heard by SHRM management and the Board and we have explained the reasoning behind our decisions. SHRM is excited about the future and our role in leading the profession and we will continue to move forward with your support. We respect the input from those who have contributed to SHRM in the past and hope they appreciate that we have made decisions based on the rapidly evolving global environment SHRM and its members, and all businesses face today, which is very different from 15 to 20 years ago.

This gratuitous statement by Mr. Jackson implies that SMFT supporters are out of touch and behind the times. Nothing could be further from the truth. In addition, SHRM's Code of Ethical and Professional Standards in Human Resource Management is not something that has changed markedly in the past 15 to 20 years. What was unethical then is still unethical now, and we believe SHRM members would agree that it is critical for our profession to be a role model for appropriate ethics in these times of turmoil.

As you read further in this paper, you will see that, rather than being characterized as out-of-date executives, we are trying to apply the most current best practices under optimal ethical conditions. Also, contrary to what Mr. Jackson would have you believe, most SMFT supporters are not prehistoric relics, but are highly respected, current HR practitioners and consultants just like you, working in today's business world, with all of its inherent issues.

All decisions made by the SHRM Board have been made in the best interests of SHRM, its members, and our profession, and have been based upon extensive deliberation, and expert professional advice.

That is not our opinion, especially when the advice is self-serving, such as on Board compensation and benefit matters. Additionally, the Board has refused to share the "expert" advice it has received, displaying an alarming lack of transparency around such an important issue.

Board Compensation

As SHRM continues to grow, we need to be able to recruit and retain the most qualified Board members, which must include individuals with varied expertise and experience, in addition to individuals within the human resources profession.

While this is certainly true of for-profit corporations, most non-profit membership organizations populate their boards with their own members and hire outside consultants for areas requiring special expertise. This is true of

the American Bar Association, the National Society of Professional Engineers, the American Nurses Association, and the American Psychological Association, among others.

Although, SHRM is not subject to Sarbanes Oxley, a law that requires certain organizations to have specific varied expertise, this is a best practice that the Board of Directors has chosen to institute. In today's marketplace, we compete for the best Board talent with major corporations, within our membership and with other leading associations. To attract the best and include individuals outside our profession necessitates some compensation. The honoraria we have been providing since 2005 helps SHRM compete in the marketplace to attract and retain the individuals we need.

Again, we question the need to have several marketing and finance people from outside the HR profession on a board that should be serving the best interests of its human resource professional members, not acting like a large, multinational for-profit corporation. Such outside expertise can be hired on a consulting basis as needed.

We also question whether SHRM has to pay \$20,000 - \$35,000 annually AND fly Board members first- or business-class in order to compete in the marketplace, when there are greater than one-quarter million SHRM members from which to select enthusiastic volunteer Board members.

Before we took the step to offer honoraria, we did our due diligence. The Ohio Non-profit Corporation Act, under which SHRM is incorporated, expressly allows the Board of Directors to establish reasonable compensation for the Board. The reasonableness of the compensation levels voted on by the Board was supported by a written study and opinion from a nationally recognized compensation expert.

We take issue with the term "honoraria," which implies a small token payment. As mentioned above, SHRM Board members receive \$20K - \$35K for four annual meetings, which is hardly a token payment.

Just because Ohio law allows Board members to decide their own compensation without an independent committee doesn't mean that it is an ethical thing to do. For example, while the decision to compensate a non-profit board is questionable, even more questionable is the method by which the SHRM Board went about making this decision. We have strongly suggested that the SHRM board follow the American Society for Association Executives (ASAE) and Board Source widely-accepted recommendations that *if* a non-profit board is to be compensated, any related planning and approval must be done by an independent committee of members to avoid a conflict of interest. Under no circumstances should an association board initiate, plan, study, finalize a recommendation, and then vote on that recommendation to their own benefit, as the SHRM Board has done.

Why the SHRM board has refused to apply this universal standard is incomprehensible to us. Recently, the SHRM Board's actions were shared with a noted Washington DC-based attorney specializing in association management issues. He is not our counsel, but, based on his broad experience, and from the standpoint of educating us, he stated the following:

" ... In decades of assisting what I'd guess are, altogether, over 1,000 nonprofit membership organizations in my career, I've never known any to pay compensation (beyond travel expenses) to non-executive-staff board members, other than in national medical specialty societies, where it is common." He concludes, "That doesn't mean it doesn't happen elsewhere or that it is illegal (it clearly isn't); but it is certainly uncommon. And it also obviously raises issues of conflicts of interest when it's the governing board itself that votes on compensation for the governing board."

Regarding "due diligence," the Board also refuses to publish the written study upon which it based the decision to increase its own compensation. We have seen the study and it is not strongly supportive of the Board's decision. If the Board views the study as justification for its decision, why does it refuse to share the information?

Compensation levels are disclosed in Board meeting summaries made available to all SHRM members and reported to the IRS as income to each director receiving the honoraria. The honoraria policy requires that a director must be prepared for committee and Board meetings and participate in quarterly Board meetings in order to receive honorarium.

We realize that this shift from the past to more varied expertise on the Board has not been embraced by some past employees and past Board directors, but we believe that this is in the longer-term interest of our current 260,000 members and future generations of our profession.

Characterizing the vast professional diversification of the Board as something progressive does not change the fact that almost all successful non-profit membership organizations do not follow this practice. For instance, the American Bar Association has only members of the Bar on its Board. It does not have marketing experts. Likewise, the American Medical Association Board is populated solely with doctors. These organizations are there to serve their professional members, as is SHRM. SHRM members are in the best position to listen to and determine what's appropriate for their fellow members and their profession.

Business Class Travel

For clarification purposes, business travel for Board Members on SHRM business has been a policy for many years, although I am not exactly sure when it was implemented. The current policy only removed a mileage restriction from the old policy although some have intimated that it is a new policy.

This policy was approved by the Board in June 2010, according to the SHRM Board Meeting Minutes Summary posted on SHRM's website. During the same meeting, the Board voted to increase its own compensation to the current levels, and to increase member dues to the current level. These are facts posted in the June 2010 document under the *Board of Directors* tab on SHRM's website. Any current member can read them.

The current policy is similar to travel policies for many of our Board Members' companies, as well as senior executives in most organizations who are expected to work productively and confidentially on business matters while traveling.

We don't believe unrestricted premium-class air travel is the norm for most employers, particularly in difficult economic circumstances, and it is certainly NOT the norm for non-profit boards. In fact, we could not find one non-profit board that allows unrestricted first- or business-class travel.

Again, prior to taking this action we did our due diligence. The travel policy voted on by the Board was supported by a written study and opinion, without qualification, from a nationally recognized compensation expert.

This is the biggest embellishment of all. SHRM officials suggested if we could see the 2010 consultants' recommendations, we would understand the justification for the Board improvements, such as the premium-class travel benefit. Our request for that report (Quatt Associates report) was subsequently denied, but we later received an unsolicited copy of the report from an anonymous source.

Here is an excerpt from the Quatt consultant's report:

"... there is limited published information available on the prevalence of nonprofit boards that receive business class or first class air travel. Despite the lack of published data, it is our opinion that at a minimum, the organization's travel policies for its Chief Executive Officer would also apply to board members."

Therefore it appears that Mr. Jackson already had unrestricted Premium Class Air Travel as a benefit. Then the Quatt consultant continues:

"Furthermore our legal counsel who has expertise on tax and government issues affecting tax-exempt organizations has stated that "first class [air] travel and a lot of other [board] compensation practices are pretty

common for associations," and such organizations could probably "pay first class travel without getting into IRS trouble."

We are confident SHRM members would agree that it is extremely disappointing that the Board would take an action which is not absolutely understood to be in full compliance with IRS regulations, especially when the decision was admittedly based upon a lack of published data supporting even the existence of premium-class travel in the non-profit arena.

Dues Increase

There seems to be some confusion around the dues increases. As you know, SHRM raised professional member dues for 2011 by \$20 from \$160 per year to \$180 per year, even though it currently costs approximately \$225 to provide basic member services. This was the first dues increase in over 20 years and is in line with one of the core elements of our strategic plan – to be financially sustainable. The SHRM Board determined that in light of the increasing costs to support our members that it was prudent to raise annual dues by this modest \$20 amount.

In voting to raise dues, the Board had the benefit of price comparative studies of similar organizations and an assessment by the membership of the value of SHRM-provided member services. Each of these data points indicated that a SHRM membership at \$180 is a tremendous bargain and we have received many comments from members in support of this position.

Some have interpreted the guideline for staff to review dues in light of the CPI every two years as an automatic dues increase; however, this is not the case. SHRM's Bylaws require the Board of Directors to approve the dues level each year and that policy is still in place.

See the Board minutes for June 2005, although the Board verbally agreed to consider "other issues" prior to increasing dues after SMFT met with them in October 2011.

Non-HR Professionals on the SHRM Board

The Board has been unwilling to make HRCI certification an absolute requirement for each and every member of the Board because such a policy would unduly limit SHRM's ability to have a Board comprised of individuals with many different and important areas of expertise, which is a best practice for high performing organizations.

Again, this is considered a best practice for high-performing for-profit corporations, but not necessarily for non-profit professional membership organizations. At a minimum, we would at least expect the Board Chair to be

certified, although our current Chair, Jose Berrios, is not. SHRM strongly encourages chapter board members to be certified, but yet does not require it for the Society's own Board Chair. This is the first time since the inception of HR certification that the Chair has not held HRCI certification.

Be assured that this practice will always allow for a sufficient number of certified members on the Board to represent the HR profession.

Currently, forty percent of SHRM Board members are not HR professionals.

SMFT Survey Document

I have had several requests about how best to respond to a survey questionnaire and results that volunteer leaders may have received in July 2012 from a group implying an affiliation with SHRM.

Again, SHRM officials are trying to suggest that dues-paying SHRM members and volunteer leaders are not affiliated with SHRM. If you agree with SMFT's stance on even some of these key issues, does that automatically disaffiliate you from the organization to which you have paid to belong?

Failing to recognize SMFT as a dissenting group within SHRM continues to undermine SHRM's credibility. We find it interesting that SHRM strongly endorses diversity...just not diversity of ideas.

First, I wanted to let you know that we are aware of the group's survey related to SHRM. We are not involved -- nor do we endorse -- this effort. It is not a SHRM document and to research professionals this appears to be a commentary as opposed to an actual survey instrument; nor does it support any SHRM initiatives to advance the profession.

According to Merriam-Webster's online dictionary, the definition of "survey" is—

a : to examine as to condition, situation, or value : appraise

b : to query (someone) in order to collect data for the analysis of some aspect of a group or area

Our survey is a series of yes/no questions used to collect opinions of SHRM members and volunteer leaders regarding the SHRM Board's policies and practices. We surveyed more than 4000 SHRM chapter, state, and regional officers, as well as a small number of grassroots members.

As you know, our survey was accompanied by a substantial seven-page Position Paper (available at www.shrmmembersfortransparency.com).

Participants were instructed to read our Position Paper and then answer the questions. The survey was notable for its simplicity and careful definition of the issues, and the results indicate that respondents are overwhelmingly in favor of SMFT's initiatives. The survey results, as well as a sampling of the hundreds of verbatim comments we received, are also available on our website under the *June Press Conference* tab. We invite you to judge for yourself whether or not it is a "survey." For Mr. Jackson to suggest that our survey lacks credibility or is not a "survey" (perhaps because he does not like what the survey reveals?) is misleading and disappointing.

SHRM's statement that our survey "does not support SHRM initiatives to advance the profession" is confusing. It is obvious on its face that SHRM has enormous impact on the human resource management profession. Therefore, the policies, practices and standards of behavior set by individual leaders on the Board of Directors will either contribute to or detract from the effectiveness of our Society, and thus, impact our shared profession.

We believe that modeling critical thinking and having the courage to question decisions made secretly that seem inappropriate are the very behaviors that *do* advance our profession.

Also, we are not surprised by the timing of this survey. This group typically piggybacks off of big events -- like the SHRM Annual Conference -- to try to promote its agenda to the SHRM membership.

SMFT has never interfered with the SHRM Annual Conference. We have chosen to hold our events in conjunction with the Annual Conference for convenience and cost-saving reasons, since many of our Steering Committee members are already attending the conference as participants or speakers. The Annual Conference is a time for convergence.

Our "agenda" is simply to ensure that SHRM members are aware of the Board's policies and practices so that they can decide for themselves whether these policies and practices are appropriate. Our purpose is to promote transparency, as our name indicates.

What Mr. Jackson neglected to mention is that SMFT was required to get permission from SHRM to host our 2012 press conference at the Omni Hotel in Atlanta. Then, after first granting us permission to rent space at the Omni, SHRM leadership reneged on their agreement and revoked their permission *ten days before our event*. This forced us to call upon one of our supporters in Atlanta to find an alternative, last-minute location, which he was able to do.

*Is this the kind of professional behavior one expects from SHRM leadership?
We find it grossly lacking in integrity.*

Please be aware that we have responded to the group's issues, and you are under no obligation to respond to the group's survey, the survey results or any other matters related to the group on behalf of SHRM or its chapters.

This is academic, since the survey closed on June 10th. We were extremely pleased with the survey response.

SHRM Board Elections

Some of you have inquired about an August 2012 e-mail from a group outside of SHRM regarding the upcoming Board Elections. The e-mail inaccurately implies a change in the election process.

The SHRM Board Elections are held in strict accordance with the SHRM Bylaws, Elections and Balloting (Article VIII), and are neither early nor late this year.

As has been the custom for well over a decade, the Annual Business Meeting of the Society is held on the last day of the SHRM Leadership Conference which is scheduled for November 17, 2012. Ballots are being mailed in accordance with SHRM Bylaws which require they are mailed at least sixty days prior to the Annual Business Meeting.

The SHRM Bylaws governing the process for write-in candidates have not been amended or changed in over a decade.

While these statements are technically correct, they are vastly misleading. Of course we recognize that the bylaws require that the ballots be mailed out at least sixty days in advance of the Annual Meeting, and that this allows the Board to determine the timing, as long as it is not later than the 60 days. In fact, the Board could send out the ballots as early as January, if they chose to do so. However, last year, the ballots were not mailed out until October 11th, so this year's election will commence two months earlier than last year, as we stated. We believe the election has not been held this early for at least two decades. We find it odd that it is being held this early during this particular year, the first time a major write-in campaign is being conducted.

SMFT wrote to SHRM officials asking why the election was being held this early and got the same response SHRM has posted above, which includes no rationale. Because of the failure to explain why the election is the earliest on SHRM's recent history, SMFT can only construe that SHRM is trying to use an early election date to its advantage. That certainly is SHRM's technical right, but it is not a good-faith practice.

The Board has always appointed SHRM members to serve as voting inspectors based upon their membership tenure, knowledge and objectivity. This year the Board appointed members of the Membership Advisory Council—who clearly meet this criteria—to serve as voting inspectors to ensure that the membership was again represented in the election process. The SHRM Bylaws (including election procedures) have always been posted on the website and are available to all members for review.

The implication that MAC members have the proper objectivity to serve as Voting Inspectors is clearly far-fetched, as they are inherently subordinate to the SHRM Board of Directors and therefore cannot be considered impartial, regardless of the personal integrity each may possess.

In 2010 we wrote specifically to the Membership Advisory Council about our concerns, only to receive identical replies from each of the MAC members, presumably drafted by SHRM's legal council. Such an action does not exemplify impartiality.

Additionally, MAC members are responsible for representing the best interests of the chapters, leaving the at-large members (greater than 2/3 of the total SHRM membership) unrepresented in the election.

Appointing subordinate MAC members as Voting Inspectors is yet another example in a long list of conflicts of interest this Board seems intent on ignoring, to the detriment of our Society. At the very least, an equal number of impartial at-large members should be appointed as a Voting Inspector to correspond to the MAC representatives.

In Conclusion

SHRM has made great strides over the past decade. Notwithstanding a very difficult economic climate, our membership continues to grow and now exceeds 260,000 members. Recently, we had the highest member satisfaction survey results, ever, while revenue continues to exceed our budgeted expectations. We have just concluded one of the most successful Annual Conferences in Atlanta with over 13,500 attendees. With this success, what's more exciting is that we are publishing standards for the profession and have just released a new set of professional HR competencies, which has been well-received and was commented on by 32,000 members, the largest SHRM survey response ever.

With respect to responding to other communications from this Group to SHRM chapter members and volunteers, you should feel free to share any of the information above. Ideally, we hope that you would do so through phone calls or in-person meetings to ensure that there is feedback and an exchange of ideas.

Just as Mr. Jackson suggests that you share his letter with others, we encourage you to share our comments, as well. Our goal is for SHRM

members to be aware of *all* the facts so that they can make informed decisions regarding this year's SHRM election.

I hope this document helps explain what's going on. Please call us anytime if you need guidance on responding to this group, or email me directly at ceo@shrm.org<<mailto:ceo@shrm.org>>.

The Board and I thank you for your SHRM Membership and appreciate your continued support.

Hank Jackson
President & CEO, SHRM
August 2012

By the end of this week, you will be asked by SHRM Officials to vote for their own 2013 Board nominated Candidates. As you carefully consider how you will vote, please review the key points below and your opinion about each of them.

- The SHRM Board voted itself compensation of as much as \$35,000 a year, for only four Board meetings. It is extremely rare for a non-profit board to be compensated and unacceptable that the SHRM Board proposed and approved their own compensation plan. This is a clear conflict of interest and a practice defined as unacceptable by the American Society of Association Executives and Board Source.
- SHRM Board members granted themselves unrestricted premium-class air travel on domestic flights, regardless of distance traveled and cost. This is a benefit unheard of in the non-profit community.
- The SHRM Board has only 38% HRCI-certified Board members. Those not certified include the Chair of the Board. This is the first time since the existence of HR certification that the Chair has not been certified.
- The SHRM Board is a professional membership Society serving as the voice of the human resources profession, yet only 60% of Board members are HR professionals.
- Our professional HR Society, with some 260,000 members, has a Finance professional for its CEO. That Board was unable to find a qualified certified HR professional from within SHRM's membership ranks is startling.
- The SHRM Board has made costly investments in China and India, such as \$1,700 per member in China, which has only 200 members after several years of investments. Most US chapters have more than 200 members. Should these investments be questioned?

Thank you for taking the time to thoroughly read the “other side” of the story. I apologize for its length, but we felt it necessary to go into some detail to shine the light on Mr. Jackson’s many erroneous characterizations.

We hope you will vote for SMFT candidates but we respect your right to choose. If you have any questions about these issues, please contact me by e-mail or phone. I welcome your input.

Kate Herbst, SPHR
Director, Operations Committee
on behalf of *SHRM Members for Transparency*
804.497.6193
katelherbst@gmail.com