



## The Role of the Personnel Committee in Largest Internationalized Brazilian Companies

### *O Papel do Comitê de Pessoas nas Maiores Companhias Brasileiras Internacionalizadas*

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#### ABSTRACT

*This article aims to identify the role of the Personnel Committee within the Board of Directors in the largest Internationalized Brazilian Companies that are listed on the New Market of Brazilian Securities, Commodities and Futures Exchange, henceforth, B3. Having a Personnel Committee on the Board is common in large, publicly traded companies, but forming Committees for specific issues on people management (PM) is rare in Brazil. This indicates a current issue in Brazilian organizations and implies a relevant research question. The methodology uses qualitative, exploratory and descriptive approaches. For data collection, semi-structured interviews were conducted with counselors and members of the Personnel Committee in the four largest Internationalized Brazilian companies, from 2014 to 2015. Treatment of qualitative research data was based on the content analysis technique using categories of studies derived from the theoretical framework. The results show that the Personnel Committee provides support to the board of directors in deliberating strategies and also taking enforcement actions towards PM, showing transparency, and generating credibility in the market, especially in the international arena.*

**Keywords:** *Personnel committee; Board of Directors; Corporate governance; Internationalization; People management.*

#### RESUMO

Este artigo tem como objetivo identificar o papel do Comitê de Pessoas no Conselho de Administração das Maiores Companhias Brasileiras Internacionalizadas, listadas no Novo Mercado da BM&FBOVESPA (Bolsa de Valores, Mercadorias e Futuros de São Paulo), atualmente, e doravante, B3. A disposição de comitês no Conselho de Administração é comum nas grandes empresas de capital aberto, porém formar comitês direcionados para assuntos específicos sobre pessoas ainda é raro no Brasil. Indica-se, com isso, que esse é um tema atual nas organizações brasileiras, que implica uma hipótese de pesquisa relevante. Neste estudo, optou-se, como procedimento metodológico, pela abordagem qualitativa, de caráter exploratório e descritivo. Para a coleta de dados, utilizou-se a técnica de entrevista semiestruturada com conselheiros e membros que integram o Comitê de Pessoas, em quatro

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grandes empresas brasileiras internacionalizadas, no período 2014 a 2015. O tratamento dos dados qualitativos da pesquisa teve como base a técnica de análise de conteúdo, orientada por categorias norteadoras preestabelecidas, derivadas de estudos determinados no referencial teórico. Os resultados apontam que o Comitê de Pessoas estabelece subsídios para que o Conselho de Administração delibere estratégias para a implementação de ações voltadas às pessoas, com mais transparência, o que gera credibilidade no mercado, principalmente no âmbito internacional.

**Palavras-chave:** Comitê de pessoas; Conselho de Administração; Governança corporativa; Internacionalização; Gestão de pessoas.

## 1 INTRODUCTION

Corporate governance is a contemporary theme that is growing not only in large multinational corporations (MNCs) located in developed countries, but also in those in different segments and emerging countries such as Brazil.

With the opening-up of the Brazilian economy and increased foreign direct investment, the privatization process of state-owned enterprises, and the increasing internationalization of enterprises, corporate governance practices have become crucial in highlighting a segment known as the “New Market” (*Novo Mercado*) in BM&FBOVESPA S.A. — Securities, Commodities and Futures Exchange (hereinafter BM&FBOVESPA or B3).

With the advent of this New Market segment, which demands high standards of governance and transparency, the Board of Directors (hereinafter Board), together with its accessory organs — i.e. committees — contribute to the development of strategies and alignment of interests among shareholders, managers, and other stakeholders. The committees analyze the issues and then feed them to the Board, which proceeds to discuss them and eventually approve and implement changes.

The practice of committees of the Board of Directors is common only in large publicly traded companies, but the habit of forming committees directed to the analysis of specific topics is still something not quite used in Brazil. It is important to remember that in companies where there are committees of the Board, the audit is the most common, although there are others created occasionally such as: finance/investment, compensation/human resources/personnel management, risk, sustainability, and fiscal strategy (Oliveira, 2006).

The studies concerning the committees of the Board of Directors have focused in most cases on the relationship between corporate governance, Board and committees, but always with a financial bias. However, although scarce and hardly explored, these studies provide some meaningful data. Thus, in evaluating previous research studies, it was observed that in Brazil, Silveira (2004) presented an overview of the framework of listed companies with informal structures and absence of committees. On the other hand, Pellegrini *et al.* (2004), examined aspects of confidence in committees in establishing solid relationships, and yet with the intent to reduce transaction costs, thus strengthening financial bias.

With regard to international research, the researchers: Hsien Liao & Wen-Hsin Hsu (2013) studied related issues and verified the effects of the common association of the audit and remuneration committees. Yet, Frankforter, Becton, Stanwick & Coleman (2012) investigated the effects of several factors related to the nomination and remuneration committee structure; and Kaczmarek, Kimino and Pye (2012) analyzed the diversity in the composition of the committees of the Board of Directors. In the study of Conyon & He (2012) it was investigated if corporate governance affected wage incentives of the CEO and members of the committees

of the Board of Directors in Chinese companies. Moreira, Gautam & Oliveira (2014) identified in a study of corporate governance in Europe, that in 60% of the companies there are audit committees and in 40%, there are remuneration committees.

For the purposes of this research, the focus is exclusively on the Personnel Committee. Further, from the first few observations, the theme "PEOPLE" shows up as part of the agenda of meetings of the Board, as well as in professional congresses sponsored by Brazil's corporate governance institute (IBGC). Unlike what occurred in the recent past, when the focus in Board meeting agendas was predominantly on Board audit and finance themes and sporadically with human resource policies.

The Personnel Committee deals with issues relating to people, assessing the critical factors for longevity and risk reduction in organizations.

However, the discussion around people is not limited to human resource policies, priority nominations, evaluation, compensation, and succession, but also considers broader issues, such as ethics, dissemination and cultural values, which impacts organizations' success in their increasing search for higher returns, especially in terms of globalization and international issues.

However, Radelet (2016) argues that this issue of globalization has made the markets expand, thereby increasing the possibilities of operation in foreign companies, but also further instigating competition among them. In this regard, in addition to bringing competitive products to the international market, the Board contributes to competitiveness in management of the company. Within this context, corporate governance mechanisms seek not only to achieve results, but also to ensure that internationalization becomes part of the company's strategy, instead of being a sporadic movement (Frankforter, Becton, Stanwick, & Coleman, 2012; Magnier, 2014).

Therefore, when it comes to considering expansion of the organization overseas, it is necessary to review people management (PM) in the international context, in terms of how it contributes to long-term strategies while preserving talents and maintaining human capital (Hill, 2005). Given such considerations, the purpose of this article is to identify the role of the Personnel Committee within the Board in the largest Brazilian MNCs listed on the B3 New Market. It is noteworthy that this research is the first to undertake such a task.

Thus, this research contributes to the current literature on PM and the Personnel Committee practices of the Board by considering the impact of this committee from the human point of view, especially in terms of the ethical relations between the organization with its employees and providing data and reflections on strategies adopted by the Personnel Committee in the largest Brazilian MNCs that seek to remain on the international market. It will also enable the expansion of scientific knowledge in this area, and fill some theoretical gaps.

## **2 CORPORATE GOVERNANCE AND THE BOARD**

There are various definitions of corporate governance, but they all share similar concepts, principles, objectives, models, and practices, and center around the idea of guaranteeing the company's continuity. La Porta, Lopez-De-Silanes, Shleifer and Vishny (2000) define corporate governance as a set of mechanisms that protect foreign investors from expropriation by internal actors (managers and controlling shareholders). According to Lodi (2000), corporate governance comprises a relationship system among shareholders, independent auditors, and company executives led by the Board. Nascimento, Bianchi, & Terra (2007) define it as the continuous effort to align the company's top management goals with the interests of shareholders or owners, by adopting more effective monitoring.

Companies that strive for good corporate governance practices often adopt guidelines, such as transparency, accountability, and equity that allow for better management, and monitor the executive management of the company (BM&FBOVESPA, 2014; Mayer, 2013). The term “corporate governance” can be found in many studies on management control and on finance. However, contemporary authors have added two dimensions of human factors due to their importance to corporate governance: (1) behavioral aspects — organizational culture, employees’ ethics, leadership, social responsibility and trust; and (2) PM — focused on training, remuneration and selection (mainly of Board members and a chief executive officer [CEO]), establishing a transparent environment, and consolidating its image as a company that practices corporate governance in an integrated manner (Bucheroni, Muritiba, Muritiba, & Ribeiro, 2010; Page & Spira, 2016).

However, from the perspective of increasing economic integration around the world, social, cultural, political, technological advances, and consequently globalization in recent years, the adoption of best corporate governance practices has expanded in developing markets of late (Ibgc, 2009a). In Brazil, the debate on corporate governance has intensified with the evolution of the Brazilian economy and the stock market, foreign investment, mergers and acquisitions, and internationalization of enterprises. Thus, Boards have been formed as the bodies directly responsible for the governance of organizations. The Brazilian Institute of Corporate Governance (Ibgc, 2009b) states that the Board is a collegiate body in charge of the decision-making process in an organization in relation to its strategic direction. It is the main component of the governance system, whose role is to link ownership and management so that it guides and supervises the relationship of the latter with other stakeholders. The Board receives power from other members and is accountable to them.

This relationship between higher management and members of the Board is closely connected with the company’s ability to manage strategy with transparency and fairness as well as, develop principles of corporate governance (Erakovic & Goel, 2008). However, according to Branco (2004), the Board is a deliberative body that exercises its functions as a collegiality and should be supported by the expertise and active participation of members present at the meeting. The difference between the Board and the director’s members in terms of decision-making power is that Board decisions are valid only if a meeting of the Board is held in line with the law and, where applicable, the bylaws, while the director’s members do not form a collegiate body but have decision-making power and make certain decisions.

In terms of the Board, due to the fact that various activities take a large amount of time, it has been necessary to develop a degree of specialization on some issues, and this has included the creation of specific advisory committees to gather knowledge and experience to make recommendations before final decisions are made by the Board (Ifc, 2010).

## **2.1 Board Committees**

According to the Ibgc (2009b), committees are the Board’s staff support mechanism and their existence does not require the Board’s delegation of responsibilities. Kaczmarek, Kimino and Pye (2012) point out that committees study items falling into their area of competence and prepare proposals for the Board, so that information obtained by a Board member or committee is made available to all other members of the same body. Only the Board can make decisions. The most common Board committees include audit, remuneration, finance and governance. The most common is the audit committee, partly because the Central Bank of Brazil requires audit committees to be part of financial institutions under its control (Steinberg, 2007).

Board committees are formed by expert members and independent directors who are chosen for the potential contribution they can offer the organization as a basic principle of corporate governance. The Board should therefore incorporate actions of social and environmental concerns in defining business and operations, covering the sustainable management of companies. Furthermore, they should develop rules to enhance the diagnosis and counseling of higher management in decision making, working as consultative bodies (Heemskerk, Heemskerk, & Wats, 2016; IBGC, 2009b; Oliva & Albuquerque, 2006).

For the purpose of this research, the focus is exclusively on the Personnel Committee. When it comes to outlook on the part of organizations, people are the central point of efficiency and effectiveness, extending the performance of human resources and establishing effectively relationships through organizational strategies. These strategies are reflected in people management perspectives for a strategic setting in which human beings are seen as leading actors in the formulation and implementation of organizational goals summarized in the company's vision, mission, objectives and organizational goals. This new link with the global strategy of the company sets a transition area, which is called people management acting on a professional integration framework towards the future, for the development of the Organization as a whole (Dalmau & Toast, 2009).

Since the beginning of the twenty-first century, this committee has been expanding annually in organizations. In addition, even in early research on business, the topic of "people" was already integrated into the concept of Board meetings. This has also led to the launch of professional conferences sponsored by the IBGC, unlike the recent past when agendas of council meetings were concerned solely with audit topics and finance, and only minimal focus was on human resources policies.

Majumder *et al.* (2012) point out that one of the functions of People is to make sure the compensation model provides mechanisms to align managers' interests with those of the organization. In addition, it may be responsible for establishing strategies in disseminating internal culture and to build international human resources transition, that is important in demonstrating that the company has trained skilled managers for succession purposes, especially when dealing with internationalized corporations (Furusawa, 2014).

According to Bucheroni *et al.* (2010), in the conceptual framework for this research governance practices associated with aspects of people serve as a guide throughout the organization and serve as role models for employees, encouraging an adequate environment for of business-mindedness, trust and ethical conduct within the organization.

These principles are needed for both domestic and international missions. In both cases, the Personnel Committee should consider its exact PM strategy, taking into account the location in which the organization operates. Moreover, when it comes to internationalization, the headquarters and subsidiaries must have goals aligned to strategic planning, reflecting on the International PM strategy (Aguzzoli, 2007; Tobias-Miersch, 2017).

## 2.2 Internationalization of Enterprises

Internationalization determines a strategic process and an outstanding decision for companies that want to survive in an increasingly competitive market. This international expansion of companies was specific to developed countries but now increasing participation can be observed from developing countries' enterprises. International competition, which until now was nonexistent for companies, is beginning to develop as a challenge, forcing the



company to make investments in its internationalization process and improve its marketing strategy, production techniques and international competences (Valente, 2008).

Business management is based on the reflection and modeling of a top-management composition, be it open (with people who do not belong to the same family) or closed (composed of family members), not only in domestic companies but also in international ones (Carpenter, Geletkanycz, & Sanders, 2004; Gubitta & Gianecchini, 2002). The top management of a company influences its decision-making regarding access to international markets, and consists of people directly linked to the organization's strategy as the owners, directors, Boards and partners (Abebe, 2010).

Thus, since corporate governance is important to protect shareholder interests, and because a good governance structure is one that selects the most skilled members and makes them responsible for investors, the influence of the top-management is relevant, especially in the Board's strategy regarding the company's performance and internationalization (Rivas, 2012; Tirole, 2001).

Brazilian companies are involved in this context of internationalization, and now realize the need to adapt so that they can participate on the international market. They have sought to become international in order to expand their business, become more competitive, gain access to new technologies, and obtain stability on specific markets (Atsumi, Vilela, & Brito Freitas, 2007).

Internationalization requires a corporate governance structure; hence, companies come to be seen as synonymous with transparency and ethics in order to gain confidence from the international market and have their actions valued (Silva, 2010). In this sense, in addition to the financial approach and standards and regulatory aspects, it is important to introduce the PM dimension as a best corporate governance practice, dealing with matters concerning training, remuneration and selection, as well as behavioral aspects related to trust, employee ethics, organizational culture, leadership, social responsibility, etc.

These governance practices integrated into the international strategy of PM will guide the entire organization and the key executives and members of the Board will be these practices' biggest disseminators and supporters. In this context, Bucheroni *et al.* (2010) highlight that the mere fact of combining Corporate governance practices with people management can lead the company to open its vision and incorporate ethical actions, with a high degree of transparency in its strategic plans. This will lead its executives and advisers to define values, mission and objectives, able to give credibility and attract national and international investors in establishing business with a company that has "people" governance practices.

### **3 METHODOLOGICAL PROCEDURES**

This research adopts a descriptive and exploratory method with a qualitative approach (Denzin & Lincoln, 2006). It seeks to identify the role of the Personnel Committee within the Boards of the largest Brazilian MNCs. In order to clarify the objective proposed, some specific categories were chosen as a theoretical framework constituting dimensions of the Boards' Personnel Committee, as shown in Table 1.

According to Bardin (2011), categorization enables data to be condensed and therefore simplified. This simplified representation is of fundamental importance for understanding the analysis elements (verbal reports), since it groups them into similar categories.

Thus, one can define qualitative content analysis as a research method for subjective interpretation of the data content of a text through the systematic process of coding and

identifying themes or patterns (Hsieh & Shanon, 2005). The population of this research was limited to companies listed on BM&FBOVESPA (2014). This ranking is derived from an evaluation of MNCs that have a PM committee.

Table 1

**Dimensions of Board Personnel Committees**

Dimension	Items	Concepts	References
<b>PM policies</b>	Actions of the committee	Planning and people development; compensation; hiring and dismissal of directors and executives	Dessler (2003); Lacombe (2005); Oliva and Albuquerque (2006); Tachizawa, Ferreira and Fortuna (2001).
	Ethics	Involvement and establishment of values and moral and ethical principles	Beatty (2003); Bucheroni <i>et al.</i> (2010); Erakovic and Goel (2008).
<b>Mediation</b>	Committee interface	Consultation in the PM area.	Andrade and Rosseti (2004); Branco (2004); Steinberg (2007); Dessler (2003); Vance (1983); Zahra and Pearce (1989).
		Involvement in PM issues.	
<b>PM strategy</b>	Challenges	Challenges faced by the Personnel Committee in an MNC.	Aguzzoli (2007); Bucheroni <i>et al.</i> (2010); Kubo (2011) ; Silva (2010).

Source: Authors

The reference forms of the 133 companies listed on B3 were taken from the CVM and/or the Investor Relations area of the website, so that they could be analyzed. A total of 51 companies with a Personnel Committee were found, representing approximately 39% of all companies. Of the 51 companies with a Personnel Committee, seven were Brazilian MNCs according to the Fundação Dom Cabral's ranking of Brazilian multinationals (FDC, 2013); among these seven companies, four agreed to take part in this research. To ensure privacy and confidentiality of the analysis of each company's Personnel Committee, the companies are referred to as W, X, Y and Z. The companies belong to the following sectors: one of the respondents belonged to the financial sector (W), two were from the industrial sector (X and Y), and the other belongs to the information technology sector (W).

The data used in the research are primary and secondary in nature. Secondary data were obtained from newspapers, journals, conference proceedings, and company websites. Research studies were also conducted on the company's website, mainly in the field of relations with investors regarding corporate governance. Information was obtained from the Brazilian Securities Commission system (Comissão de Valores Mobiliários [CVM]), which generates a constant flow of information to investors and the IBGC website.

For the primary data collection, the semi-structured interview technique was utilized with directors or members representing the Personnel Committee in four International Brazilian companies that are listed on B3. In the semi-structured interview, a list of questions was used that allowed to investigate intentions, attitudes and fundamentals regarding the role of the Personnel Committee.

The information focused on the respondents present with interviews lasting approximately 25 minutes. All respondents accepted the recordings of the interviews, they were transcribed together with researchers' notes, at the time of data collection. Gandhi *et al.* (2006), recommend the combination of such techniques, since they make it possible to collect data not always obtained through the respondent's verbal expression, but which enhance and complement the data collected.

For analysis and structuring of reports resulting from transcripts of the interviews, content analysis was used guided by pre-established categories derived from studies identified in the theoretical framework. Denzin and Lincoln (2006) point out that content analysis is a technique suitable to identify what is said in interviews about a certain topic.

## **4 RESULTS**

The research studies present results on aspects of the Personnel Committee's within the Boards and were analyzed and identified in the MNCs. Aspects of the role of the Personnel Committee are related to the policies regarding PM, mediation and PM strategies. PM Policies aim at helping the Board in the planning and development of people and the compensation and benefits to executives. All Personnel Committees of the companies surveyed supported the Board policies of PM as they relate to the remuneration of directors (directors/executives), benefits and recruitment programs, and director dismissal. The Personnel Committees of companies X, Y, and Z also perform activities related to planning and people development.

The Personnel Committee of company X also supports the Board concerning planning compensation for PM. However, it involved the establishment of the company's values, as well as moral and ethical principles. It was found that all companies have a code of conduct that reflects the culture and principles of the country in which they are based. This is consistent with the code of good practices of Corporate Governance (Ibgc, 2009a), which emphasizes that in addition to respecting the laws of the country, every organization should have a code of conduct for managers and employees to follow and set social and environmental responsibilities. However, the Personnel Committees of companies W and Z are not involved in these issues.

“The values are defined [by] the Board when there is a review of corporate strategy, but the committee does not take [part in this]. There is a code of conduct and an ethics committee to address these issues.” (company W interviewee)

“It is not involved. But there is a conduct committee that addresses these issues.” (company Z interviewee)

Although the Personnel Committees of companies W and Z do not directly take part in issues of values, principles, and ethics, they recognize that the emphasis on good moral conduct is more important than the number of rules and disciplines. The values are defined by the Board when there is a review of the corporate strategy.

Company W confirmed that the PM area conducting sustainable business is a pillar in the evaluation of employees. However, the interviewees from companies X and Y emphasized that the Personnel Committee is involved in issues pertaining to the company's values and ethical principles, while issues related to spreading ethical values through training seminars are discussed in committee meetings.

“The company's Board is very involved in these issues of values and principles and these issues emerge in the committee. In the PM committee, [we] discussed a way to spread these issues through training seminars, [and] issues [regarding] ethical values.” (company X interviewee)

“We have a code of conduct. This code of conduct is something shared in the company as a whole. But the aspect of values, culture and principles of the company, [are] usually ...[though] not always, [passed] by the Personnel Committee.” (company Y interviewee)



The respondent from company X also argued that the company's concern goes beyond the search for workers with technical skills, emphasizing indeed the formation of citizen workers, who are aware of their role within the company and have a macro view within the society in which they are inserted. In this sense, the work of the Personnel Committee exists to support the Board and therefore has a more everyday obligation in connection to executive activity in terms of the ethical values connected with issues that arise. The interviewee pointed out that the Committee does not interfere in business activity but supports it.

“We think that in our society, ethics is not only to discuss what is happening in government, but in our day-to-day [...] lives. We have to contribute to, besides having the best workers involved, forming citizens. The committee has a more everyday obligation than the Board, because it exists just to support [the] Board's decision[s] in [...] connection with the executive activity. It does not interfere in business activity, but monitors [it].” (company X interviewee)

This result is consistent with the findings of Bucheroni *et al.* (2010), which emphasize as relevant within best-governance practices behavioral aspects related to trust, employee ethics, organizational culture, leadership, social responsibility, and so on. These governance practices are integrated into the international PM strategy, and guide the entire organization with top executives and members of the Board as their biggest disseminators and supporters.

Mediation focuses on the Personnel Committee facilitating the interconnection or interface between the executive directors and the Board in search of necessary information from the area of PM and possible involvement in issues pertaining to the company's PM.

All companies surveyed consult the executive board to gather information on the PM area before making decisions and bringing issues to plenary meetings. The respondents were unanimous in reporting that the Executive Director of PM, in addition to participating in meetings of the Personnel Committee, adds all the necessary issues to the meeting's agenda.

“The directors pass [on] information and we discuss issues [related to] people. We are in direct contact with the directors. At the meetings, it is important to draw attention to this, always [with the backing of] the director of people.” (company W interviewee)

“[The person who writes] the agenda [for] the committee is the director of human relations, [who is part of] the Personnel Committee. There is a pre-defined agenda with all the issues to be addressed in the year. For example, performance evaluation is a process that takes place every year. So, some issues are already typically [discussed at] Committee meetings. And all other issues concerning [people] are taken [up] by the director of human relations.” (company Z interviewee)

Based on information provided by the Executive Director of PM, the committee coordinator sets the agenda, seeking to foresee what might be discussed and noting the needs of the Board. The Committee does not generate its own content; rather, this is created by the company's CEO, that takes the information to the Committee to be discussed and then brought forward to be approved by the Board.

The executive area of PM prepares studies and organizes presentations for later discussion. Where applicable, the Committee calls for reviews of ideas. At the next Board meeting, the outcome of the Personnel Committee meeting is discussed so that the issue can be deliberated and ultimately approved. According to the Ibgc (2009b), the Committees themselves do not approve anything, but just recommend (or advise against) approval of specific items by the Board.

However, the respondent from company X argued that in some cases, certain themes are communicated where there is no need for discussion, but they do contain detailed information that must be conveyed to Committee members for contextual information. Thus, when particular issues are addressed in debate, all members of the Committee will be familiar with and have knowledge on the issues, thereby facilitating questions, reflections, and consequent deliberation.

When asked about the possible involvement of the Personnel Committee on issues of PM, the respondents surveyed were unanimous and responded that they are not involved. The respondent from company W pointed out that the Personnel Committee deals specifically with payment, and that despite this issue being part of the PM context, it does not get involved in PM issues.

“No, this committee does not discuss PM. This committee is more specific to the remuneration which is inserted in PM policies.” (company W interviewee)

Yet, companies X and Z stated that while their Personnel Committee does not get involved in matters concerning PM, they know how some of the matters are conducted, as these may be part of the committee’s meeting agenda and therefore up for discussion.

“No, the committee is not involved in their work. We set the meeting agenda, we return [to] a given subject. The material is distributed in advance, and on the day of the meeting we [get] the job done and we discuss relevant issues at the meeting.” (company X interviewee)

“It is not involved, but some issues concerning personnel are taken to the Committee meeting.” (company Z interviewee)

However, the respondent from company Y emphasized that everything that goes to the Personnel Committee is alive, trackable, and recordable. Everything has a purpose that will help with PM issues. This means that sometimes the Committee meeting does not aim to approve a specific subject, but is there to cooperate conceptually in the area of PM.

The PM strategies focus on strategic plans of the Personnel Committee to contribute to guiding the actions of PM executives, positioning their value-added activities on a global scale by setting the challenges for international PM. The respondents of the companies surveyed argued that empowering human talents to meet multinational business needs and to ensure that the availability of these talents is in line with the company’s constant evolution represents one of the issues examined by the Committee and later by the Board.

“are willing and qualified talent to work [...] abroad, but the Committee’s strategies should be analyzed to define the requirements for each function specifying the skills, behavior, and desired experiences.” (company X interviewee)

These arguments are consistent with the analysis of Steinberg (2007), who considers one of the greatest difficulties of companies is to retain talent. In addition, the respondent from company Y reported that people enter the organization searching not only for remuneration but also growth and career development. However, it is up to the employee whether to stay or leave the company. People make choices and have dreams, and these are beyond the company’s control.

“One of the challenges is to retain talent. People enter the organization seeking more than compensation, but also growth and career development. The cycle of talent is short. The

decision to stay or not is up to the employee. They choose, they have dreams. There is no way to stifle one's dreams. It is a [challenge] to keep people.” (company Y interviewee)

The research also shows that as the competition for talent is great, the Personnel Committee of the interviewed companies seek to establish intensive programs and strategies of investment in training and development. This is one of the ways, in addition to training, that encourages the major talents of the organization to remain in the company.

“Here we have not only a training center, but we give lectures, workshops and generate intensive training programs to encourage talent to stay in the company.” (company Y interviewee)

Today human resources are highly mobile. Hir[ing], develop[ing] and retain[ing] the best talent are essential tasks and long-term [aims]. It is necessary to invest adequately in developing these talents. (company Z interviewee)

“It is also important to define training strategies and development [for] these people, encouraging commitment to progress in the company.” (company X interviewee)

Company X understands that the challenges in the Personnel Committee are intended to establish, as part of the internationalization strategy, actions that are crucial for entry into and to remain on international markets. Important values include ethics and respect for the laws of the countries in which it operates; client satisfaction; transparency in corporate governance practices; valuing employees; profit sharing with variable remuneration policies and social responsibility, especially addressing issues to improve the environment, health and quality of life of employees; and development of the communities in which they are inserted.

The values are also part of the challenges and internationalization strategies of the Personnel Committee of company Y, which aims to establish concepts requiring transparency and ethical behavior from its employees. The company Z interviewee mentioned that within the administrative area of human relations there is a group responsible for international PM operations. The challenge of the Personnel Committee and the Board is to establish strategies for this group of international PM operations while keeping all international units aligned with the PM strategy of the company, regardless of cultural differences.

This framework is in line with a study by Aguzzoli (2007), which considers that in cases of internationalization, the headquarters and the subsidiaries should be aligned in their goals pertaining to strategic planning and should reflect, international PM strategy. However, another challenge is relevant to the Personnel Committee of company X; that is, succession plans for key positions in emergencies. The respondent from company X noted that because X is a complex company due to the nature of its product, because it is headquartered in Brazil but has subsidiaries in various parts of the world it requires strategies to establish a training program for local leaders with respect to emergency issues.

“Also in this case [...] the PM committee has an obligation to provide support to the Board, which means a search or a headhunt for key positions regarding [...] succession plans for emergencies in the whole company. Because this is a complex company due to the nature of its business, and [the fact] that [it has subsidiaries around] the world and [is] headquartered in Brazil, [...] there is [a] question of a leadership training program[s] within the context of [...] succession plans [...] for emergency issues, which is appropriate. [Such emergencies] may not happen, but we must be prepared. So we have a very strong concern about this. [We have] subsidiaries in various parts of the world.

The search has to be for all sorts of persons. From here, but for all types of persons. [We have to] think about who is there, the need to put someone there or hire someone there. We have locals who are also responsible for looking after the appearance of the management of that unit. There are Brazilians who are expatriates, and also locals, but taking care of management.” (company X interviewee)

Thus, company X is very concerned about succession, and the company has to be prepared for emergencies. Those responsible for the management of international units may be locals or Brazilian expatriates.

## **5 DISCUSSION**

It is noteworthy that by adopting a Personnel Committee within their Board, the companies surveyed are able to improve their governance in general, as the issues related to people, aligned with strategies, can guarantee continuity of the company based on prepared leaders and dissemination of a culture that unites and guides everyone in the company. The following describes the main considerations about each item, synthesized in table 2.

Committees take proposals to the Board so that the company can proceed with more effective and differentiated policies. Among these committees, the Personnel Committee has been expanding in organizations dealing with issues related to people, integrating the agendas of critical factors for longevity and risk reduction within the organization. The activities of the Personnel Committee include discussions related to the development of people, succession planning, leadership, training, compensation and benefits awarded to directors, executive officers, and board members. Discussions are placed on the records by coordinators of the Committee. These present a report on all issues covered for possible deliberation and decision-making by the Board.

In two of the companies surveyed, it was observed that the Personnel Committee is not directly involved in matters of principles and ethical values; however, the Committee’s importance is recognized. In two other companies surveyed, the Committee is involved in these issues and there are even discussions in Committee meetings about how to disseminate the same throughout the organization.

It was found that the Personnel Committee plays a mediating role in facilitating the interconnection between executive directors and the Board in terms of information on the PM area. This information defines the agenda of meetings of the Personnel Committee that foresee what can be discussed according to the needs of the Board.

The Personnel Committees of the companies surveyed do not get involved in matters pertaining to PM practices, but they know which practices are being conducted, and what may be included on the meeting’s agenda. Consequently, the committee contributes conceptually and influences the area of PM.

It was found that for the Personnel Committee of the companies surveyed, retaining talent in the MNCs is a particularly challenging issue. Thus, providing employees with intensive training and development programs in order to meet the needs of the MNC ensure that staff skills are in line with the constant evolution of the company and encourage these employees to remain in the company. Hence, this comprises a constant theme of discussion at Personnel Committee meetings.

In addition to issues that deal with values, such as transparency embedded in ethical behavior, the preparation of local leaders (who may be locals or Brazilian expatriates) in case

of emergency are also part of the challenges and a concern of the Personnel Committees of the companies surveyed.

Table 2

**Outline of the role of the Board and Personnel Committee of the companies surveyed**

Dimension	Item	Company W	Company X	Company Y	Company Z
<b>Human Resources Policies</b>	<b>Actions Committee</b>	Set remuneration policy for managers. Benefits and special programs for recruitment and dismissal of Board members.	Set remuneration policy for managers and human resources. Benefits and special programs for recruitment and dismissal of the board. Planning and development of people.	Set remuneration policy for managers and human resources. Benefits and special programs for recruitment and dismissal of Board members. Planning and development of people.	Set remuneration policy for managers and human resources. Benefits and special programs for recruitment and dismissal of Board Members. Planning and development of people.
	<b>Involvement with ethics</b>	No involvement. The company has a code of conduct and an ethics committee.	Yes, support is provided. The company has a code of conduct.	Yes, support is provided. The company has a code of conduct.	No involvement. The company has a code of conduct and an ethics committee.
<b>Mediation</b>	<b>Interface</b>	Consulting with the executive management of the PM area. It is not involved in the PM issues of the company.	Consulting with the executive management of the PM area. It is not involved in the PM issues of the company.	Consulting with the executive management of the PM area. It is not involved in the PM issues of the company.	Consulting with the executive management of the PM area. It is not involved in the PM issues of the company.
<b>PM Strategy</b>	<b>Challenges</b>	Define strategic corporate goals that translate into international strategic planning.	Establish strategies to determine actions in other countries linked to the achievement and physical presence of the company on international target markets. Retain talent.	Establish strategies rooted in concepts and values related to relationship and transparency. Retain talent.	Ensure that the units of the group in all countries are aligned with the company's strategy, regardless of cultural differences. Retain talent.

Regarding the effective functioning of the Personnel Committee in MNCs, it was found that the determination of strategies and objectives of PM operations in all international units are aligned with the PM strategy of the headquarters in Brazil, regardless of cultural differences.



## 6 FINAL CONSIDERATIONS

The practice of corporate governance is gaining ground not only in large organizations located in developed countries, but in different segments and companies around the world. In this context, the Board, together with its accessory organs, committees, has come to be vital in developing strategies, providing direction to businesses and aligning interests between shareholders, managers, and other stakeholders.

In Brazil, there is no obligation for publicly traded companies to have a Personnel Committee on their Board. However, due to the challenge of continuous improvement of top-management practices and relationships between people, business and society, IBGC is encouraging companies through events, lectures, and debates to create a Personnel Committee. The goal is to understand what really impacts issues involving those aligned with the best corporate governance practices adopted by the company.

This study is not without limitations. It can be stressed that all considerations herein are directly related to the four companies that participated in the survey, since the research sampling process was intentional and not random. Thus, the findings should be analyzed carefully, and not considered as applicable to all Brazilian international companies.

Future research should investigate not only the role of the Personnel Committee of the Board in the organizational structure given the focus of this article, but also the influence of behavioral aspects of board members, emphasizing the extent to which they are committed to the achievement of strategic objectives. Commitment dynamics will probably provide information on informal interpersonal relationships, and not only the formal and bureaucratic relations in the organization.

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