

BECOMING THE STRATEGIC CHRO:

SIX KEY STEPS



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During the pandemic, human resources (HR) played a critical role in shepherding employees and organizations through the crisis. As we emerge into a new world of work, CHROs are at the heart of organizational transformation.

Today, the CHRO is expected to be an integral part of the executive team. For years, discussions focused on the need for HR to be more strategic—to have a seat at the table. Today, HR **has** that seat—and this shift has re-defined the role of the head of human resources. “The CHRO has gone from somebody who was kind of striving to be in the limelight to somebody who is fully in the limelight, and needs to act that way every day,” says Tom Morrison, a principal in the human capital practice at Deloitte Consulting.

There are a number of reasons behind that shift, all supercharged by the pandemic. Business needs to be more agile and responsive to customers. Innovation is an increasingly important key to competing effectively. The nature of work itself – and where it is done – is changing. And companies across industries need to adapt to rapid and disruptive change. To a great extent, all of these factors call for new approaches to managing the workforce and the close linkage of business and people strategies.

“Whoever has the best talent wins. And a great CHRO can have a significant impact on that,” says Jim Bagley, head of the global human resources practice at the Russell Reynolds Associates executive search firm.

In short, the changing business landscape is creating new opportunities for CHROs. But taking advantage of those opportunities requires the CHRO to collaborate closely with other senior executives, and take a truly strategic approach to the job. In its work with hundreds of executives, including both CEOs and CHROs, StrategicCHRO360, in connection with Senior Executive Network, has identified six key imperatives that can help HR professionals become that kind of CHRO:

- Bring a solid business perspective
- Advise the CEO
- Navigate complex relationships
- Harness technology-driven change
- See around corners
- Continue to lead HR



BRING A SOLID BUSINESS PERSPECTIVE

In a recent Korn Ferry survey of CHROs, “competitive pressure on the business” was the most-cited driver behind the increasing complexity of their jobs. Today’s CHRO is expected to understand what the business is doing, how it is doing it, and where it is going, and then use HR expertise to both inform and enable business strategy.

“As a CHRO, you are a business leader, not just an HR leader,” says Michael O’Connor, vice president of Human Resources at Lewis Tree Service, a provider of vegetation management services with 4,000 employees. “You are expected to weigh in and help make decisions around strategic initiatives across all functions. If you don’t understand the basics of the business, you’re going to struggle—and other senior level people in the organization may not necessarily have confidence in you.”

In assessing executives for the CHRO role, Russell Reynolds’ James Bagley looks for “commercial connectivity”—that is, the individual’s ability to really understand the business’ opportunities and challenges, and then link those to HR. “We will often ask them, ‘What big opportunity or challenge in the business have you been involved in over the past three to five years?’”

he says. While some candidates might talk about HR programs—a new performance plan or an innovative recruiting system, “the really good ones will talk about things like globalization, price pressure, digitalization—whatever the business was working on,” he says.

The fact is, today’s CHRO needs a high level of business acumen in order to add value to the executive team and meet the strategic demands of the role. “I spend a large portion of my day participating in discussions that really have nothing to do with HR, per se” says O’Connor. For example, he and the rest of the executive team participated in a leadership roundtable that was focused on improving the company’s critical process of bidding on vegetation-management contracts. “The expectation is that I, as CHRO, provide feedback or challenge why we’re doing things a certain way, and offer suggestions across the business,” he says.

For aspiring CHROs, then, it’s important to spend time sharpening their knowledge of finance, operations and customers—and essentially understanding how the company makes money. “It’s critical to insert yourself in the business,” says O’Connor.

A Growing Range of Responsibilities

When asked what keeps them up at night, CHROs in a Korn Ferry survey cited several top issues:

1. Aligning talent strategy to overall business strategy
2. Employee engagement and retention
3. Creating a robust, working succession program within the organization
4. Understanding the business’ key drivers and what will make it succeed
5. Serving as a confidant to the CEO
6. Building a high-performing global HR team
7. Managing increased oversight from the board
8. Implementing successful M&A integration strategies

ADVISE THE CEO

CEOs are now looking for HR heads that don't just run HR processes, but rather help understand how HR affects and supports the top executive's goals. Some recruiters report that CEOs are also looking for CHROs that can help the entire senior team function smoothly. "A great CHRO is a joined-at-the-hip partner to the CEO on all of the critical talent issues in the C-Suite, and on the dynamics on the senior executive team," says Paul Winum, senior partner and co-practice leader of Board & CEO Services at RHR International. "He or she needs to help manage some of the very delicate issues that come up about talent at the executive level, such as retention and compensation."

A new CHRO's previous experience may not be especially relevant when it comes to working closely with the CEO. For attendees of Deloitte's Next Generation Chief Human Resources Officer Academy, a common concern is the need to fill the trusted-advisor role, says Morrison. "If you come up through an HR organization, you do many good and valuable things," he explains. "But you don't get a lot of chances to sit in the C suite and advise executives."

It's important to recognize that CEOs are not looking for sycophants; they want real advice, not just agreement or validation. "The CEO needs a trusted advisor who he or she can turn to make sure that the organizational design is right and that we're picking winners for key leadership roles," says Peter Fasolo, executive vice president and CHRO at Johnson & Johnson, the medical products company. "You can't just be the CEO's person. You have to be the company's head of HR."

Or, as Morrison recalls one CEO telling Deloitte's CHRO Academy, "being a trusted advisor is not just being willing to speak your mind, but really being willing to put your job on the line to speak the truth."



What the Boss Expects

A report from Aon Hewitt, the consulting firm, found that CEOs and boards have several key expectations for their CHRO:

- Translate board/CEO strategies into HR outcomes
- Adapt to the work style of various members the executive team
- Ensure cultural alignment in the organization
- Advise the board/CEO on HR implications of the current business environment
- Advise board/CEO on executive compensation and succession planning

SOURCE: AON HEWITT, "DEVELOPING THE NEXT GENERATION OF CHROs"

NAVIGATE COMPLEX RELATIONSHIPS

Today's CHRO works with the entire executive team. Russell Reynolds' Jim Bagley says that while it's important to be close to the CEO, he also assesses how CHRO candidates will relate to the C-Suite in general. "I try to find out if they can be a trusted advisor to the entire leadership team. Do they have that sense of balance, of knowing how to represent the CEO without overdoing it? Can they be trusted with sensitive information from direct reports to the CEO? In many ways, the CHRO is in a very unique position to be contributory and helpful to the executive team."

A good CHRO needs "very strong relationships, and not just with the board and the CEO but with the executive team," says Johnson & Johnson's Fasolo. "I find that the primary relationships I have are, yes, with our CEO, but also with our CFO, our general counsel and our broader executive committee." Such relationships can help CHROs meet the CEO's goal of creating a smooth-running team, while at the same time positioning themselves to help team members understand the company's people agenda.

The CHRO also needs to work closely with the board in areas such as succession planning and executive compensation, which can be sensitive issues for the executive team, including the CEO. "The CHRO has to manage this dual relationship with their boss, the CEO, and also their boss's boss, the board of directors." Says RHR's Paul Winum. "That can be a complicated balancing act."

Overall, the CHRO's early training and experience may be a valuable tool in this area. "A lot of the challenges that frontline managers struggle with are also found in the C-Suite—things like managing conflict, having tough conversations and dealing with various personalities," says Melanie Haniph, vice president of human resources at Chief Executive Group. "So there's an opportunity for the CHRO to be the strategic HR partner for the C-Suite, to help work through those challenges on the leadership team."

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HARNESS TECHNOLOGY-DRIVEN CHANGE

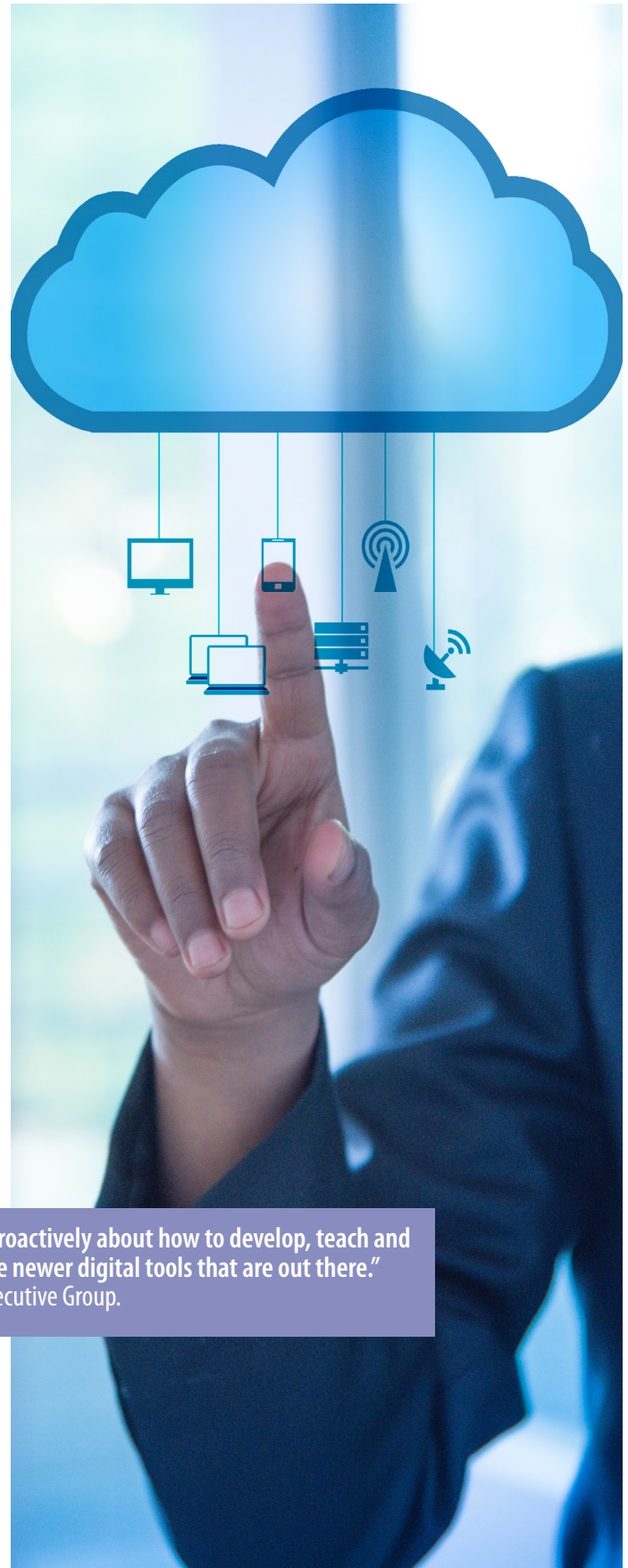
Technology is quickly changing the workplace, and CHROs' need to have a firm grasp on that disruption, and how it can be used to the company's advantage. "The CHRO needs to think proactively about how to develop, teach and engage employees using the newer digital tools that are out there—everything from gamification for employee engagement to cloud-based systems, virtual meetings and chat rooms for a remote workforce that is often all over the globe," says Chief Executive's Melanie Haniph. "It shouldn't just be the IT person that's focusing on helping the organization stay ahead of the curve."

For the CHRO, this means understanding the technology's potential, and developing the policies and practices that will enable people to succeed with new digital tools—and use them to become more productive and innovative. CHROs need to display "digital leadership," says Deloitte's Morrison—and there is a lot of opportunity for the CHRO to have an impact on this front: A recent Deloitte study found that while companies are moving ahead quickly with digital technology in the organization, only 15% of surveyed executives say that they are prepared to manage a workforce that includes people working in concert with artificial intelligence, robots and other technologies.

CHROs also need to consider how the technology can be used to change HR itself. The Deloitte study found that 56 percent of surveyed companies are redesigning HR programs to take advantage of digital tools. One of those is Johnson & Johnson, where Peter Fasolo has been disaggregating the HR function by moving operations, knowledge management and transactional work into a large, global shared services environment. This group, which accounts for about 65 percent of the company's HR workforce, uses analytics and "as-a-service" capabilities to support HR around the world, handling activities such as employee relations, recruiting, and payroll.

With this arrangement, HR people in the business units are freed up to focus on more-strategic work, such as translating business-unit strategy into organizational design. At the same time, this structure helps Fasolo focus on helping the business units understand what capabilities and talent will be needed in the future, and delivering the HR outcomes that the business needs.

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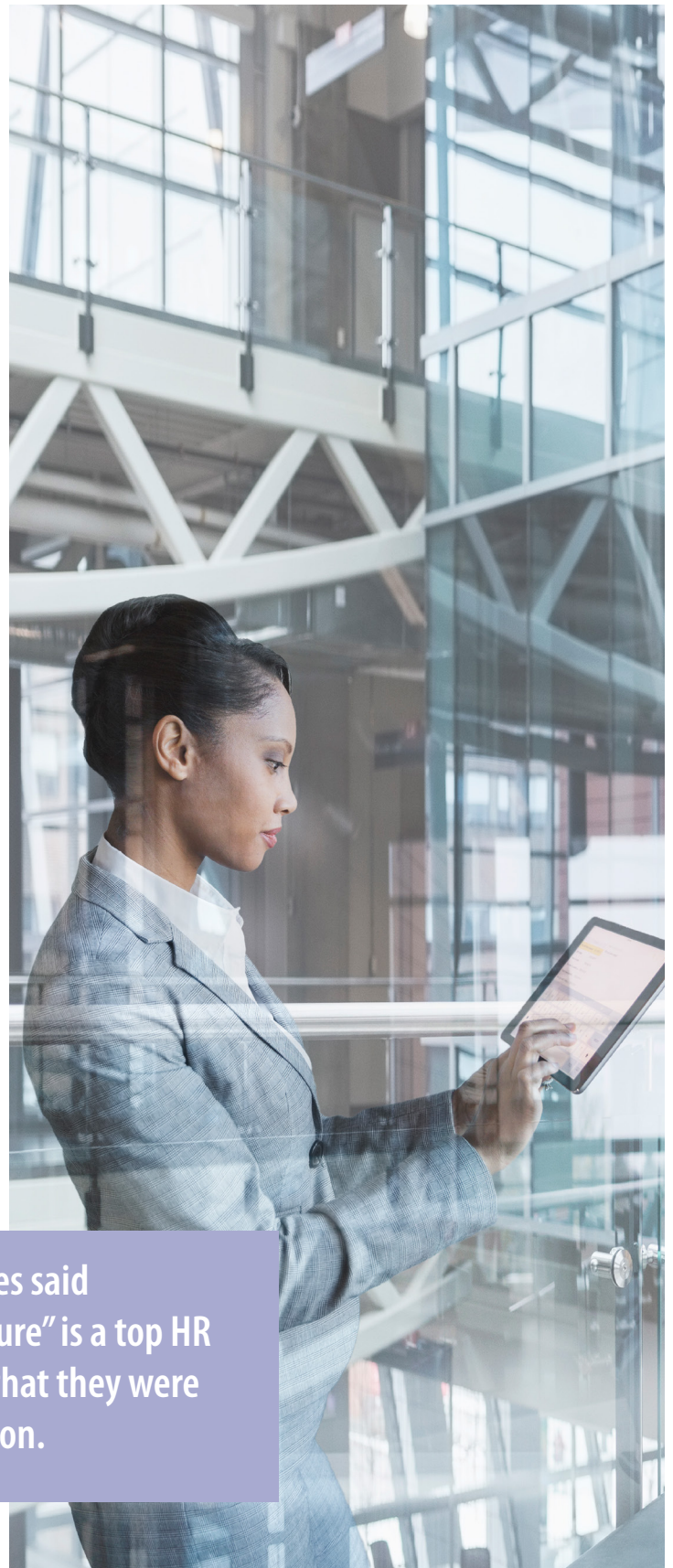
SEE AROUND CORNERS

CEOs look to the CHRO to help them think ahead about how the workforce can help the company succeed in a future that is not always clear. “In the CHRO role, you are thinking ahead and anticipating next year’s challenges,” says Chief Executive’s Melanie Haniph. “What are the things that are going to keep the CEO up at night, from a talent perspective? And how can we start thinking now about addressing those challenges, so that we’re prepared when they come?”

The CHRO needs to consider a range of forward-looking issues. How will the nature of work change in the coming years? What skills will be needed? How can the company create and manage a flexible workforce that includes employees, contingent workers, contractors and even employees from partner companies? How should the leadership pipeline be changed to meet the company’s evolving needs?

In particular, CEOs want CHROs to help develop the right organization structure for the coming years. In Deloitte’s survey, 90 percent of surveyed executives said “building the organization of the future” was one of the top HR problems on their minds this year. However, only 11 percent of respondents said that they were ready to build that kind of organization. Here again, then, CHROs have their work cut out for them—and a chance to really help the business.

In one survey, 90 percent of executives said “building the organization of the future” is a top HR problem—but only 11 percent said that they were ready to build that kind of organization.



CONTINUE TO LEAD HR

Although today's CHROs typically have a broad, multifaceted role, they are still the company's chief HR specialist—and they should take steps to succeed in that job. "You can't forget that piece, because people are going to come to you with the expectation that you are the most senior-level HR person in the organization, and that you should be up-to date on what's going on in the function," says Lewis Tree's O'Connor. One way to do that, he says, is involvement with others in the field. For example, he will often pose questions about HR issues he's facing to his Senior Executive Network HR peer group, soliciting feedback and best practices from CHROs in other mid-market companies. "It's important to be well networked, to have some resources outside the organization," he explains.

CEOs expect the CHRO to lead effective talent management efforts that ensure that the right workforce is in place today, while planning and developing the workforce the company will need tomorrow. That means building an HR organization that can support and enable a complex range of workers that includes not only contractors and contingent workers, but also employees from three, four or even five generations—each with its own expectations. At the same time, the HR organization needs to help limit knowledge loss as baby boomers retire—and find ways to recruit and retain millennials by shaping attractive employer brands, deeper employee engagement and the right employee experience.

"The head of HR needs has to have one foot in the future, but you also need to have one foot in today to make sure the operations are working," says Johnson & Johnson's Fasolo. "I will have no credibility with our CEO, the board or my executive peers if the trains are not running on time."

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To a great extent, that comes down to having the right team in place. The CHRO is not likely to be an expert in everything from recruiting to payroll. However, says RHR's Winum, "you do need to be able to manage really good content experts in each of those areas. The CHRO can be like an orchestra leader making sure that all the components of the human resources strategy are being well executed."

"Make sure that your HR team that you have around you is the best you can put out on the field, and then have the kind of relationship with them so that they can bring real issues to you," adds Fasolo. With an HR workforce of some 2,000, he says, "I need people who are talking to me in real, authentic ways. So the head of HR needs to create an environment within their own organization to bring truth into their office."



CONCLUSION: --- THE STRATEGIC CHRO'S FOUNDATION

It takes a lot to be a successful in the CHRO role strategic—a fact that is clearly reflected in the traits that executive search firms look for in CHRO candidates. Adaptable. Pragmatic. Socially adept. Good communicator. Appetite for change. Action and results oriented. Tolerance for ambiguity.

A lot of what the job takes “can be captured in one word—balance,” says Russell Reynolds’ Bagley. Today’s CHRO needs to weigh the needs of today and tomorrow; of the strategy and the workforce; of the board, the CEO and the executive team. At the same time, he or she also needs to build up a broad range of knowledge across domains, including the business, technology and, of course, HR itself.

All of this should be based on a strong foundation of trust—something that should be built early on, before it’s actually needed. “We need to develop that trust with the CEO so that in our roles, we can have the courage to push back on the CEO,” says Lewis Tree’s O’Connor. “That’s not always an easy thing to do, but if you’ve built trust, you can do it.”

For Johnson & Johnson’s Fasolo, creating trust means “spending time with the board, spending time with the CEO to make sure that your personal credibility and the function’s credibility are where they need to be. That would be some of my best advice to new heads of HR coming in. If you have that trust, when you get into tough conversations or conversations that need nuanced dialogue, you can defend what you need to and navigate where you have to go. If there is trust and there is credibility, the rest just flows from that.”

ABOUT THE AUTHOR

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StrategicCHRO³⁶⁰

a Chief Executive Group community

In this new era of business, human capital plays a pivotal role in determining who wins and who loses. Rising demands for social awareness and equity, a growing number of workforce-related risks and opportunities, and a dwindling supply of skilled talent all demand a CHRO's unique understanding of the American workplace to position their companies for success.

StrategicCHRO360 is the community powered by Chief Executive Group, publishers of Chief Executive and Corporate Board Member, designed to provide senior HR executives with the tools and insights they need to succeed as strategic leaders. StrategicCHRO360 delivers informative webinars, timely research, dynamic conferences, peer-driven roundtables and the exclusive, one-of-a-kind CHRO Network. Learn more at StrategicCHRO360.com.

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For more information on The CFO Network visit: SeniorExecutiveNetwork.com
or contact Wayne Cooper, at wcooper@chiefexecutive.net | Telephone: (203) 930-2702