

Boyden Senior Executive Survey:

THE CHRO AND THE FUTURE
ORGANIZATION

PART 2:
The CHRO Role in the C-Suite & Board

2019



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Global Practice Leader Message



Robert Winterhalter, Ph.D.

Global Leader, Human Resources Practice
Managing Partner, Boyden Germany

Countless companies, of all sizes and across all industries, are undergoing major transformations to manage new demands and prepare for the future. Organizations that do not keep up will become less relevant or wield less influence, in turn losing their ability to both retain and attract talent.

In order to survive and prosper amid the changes brought on by new technology and shifting perceptions surrounding the workforce, companies need to evolve their approaches to the board and management, strategy, utilization of technology, and global workforce alignment, training and hiring.

Organizations in consumer/retail, industrial, financial services, healthcare & life sciences, energy and mining, and technology need to focus leadership and the greater global team on the evolution of the modern company. A key driver of these transformations is often the Chief Human Resources Officer or senior HR executives, who are increasingly becoming part of the C-Suite and members of the board. While their positions and influence differ related to various regional and organizational factors, these executives all have a crucial role to play.

Therefore, in developing our second annual Boyden Senior Executive Survey with our partners, clients and industry colleagues, we agreed to focus on the views of CHROs, who often serve as the most important change agents steering management and global teams. Some of the survey results may surprise you.

We surveyed a global panel of 310 CHROs, senior HR executives and other HR decision makers in Australia, Brazil, Canada, Germany, Mexico, the United Kingdom and United States. Guided by key changes companies will face in the coming years, our findings will be released in three parts: Impact of AI and Technology; The CHRO Role in the C-Suite & Board; and Diversity of People and Thought.

It's important to note that while the survey data include only HR leadership, the commentators who provided analysis of our findings included a wide swath of executives including chairmen, non-executive board members, chief marketing officers, chief digital officers, country managers and others.

In Part 1 of the report, we focused on the transformative power of technology and AI. Here, in Part 2, we focus on the impressive rise of the CHRO role within the C-Suite and board. There is agreement on this point – globally 54% of executives said the CHRO is very influential on their organizations' strategic decisions, and another 41% indicated that they are somewhat influential on these decisions.

My own perspective is that the impact and influence of the CHRO on strategic decision-making depends on their individual personality and skill set. In addition, acceptance by both team members and upper management are key. In reviewing our data, a prominent HR leader added, "The increasing global battle for talent will also help ensure that the role of the HR professional is going to gain importance in the medium term. I hardly see any board meeting conducted without HR topics being discussed. That's different than 10 years ago."

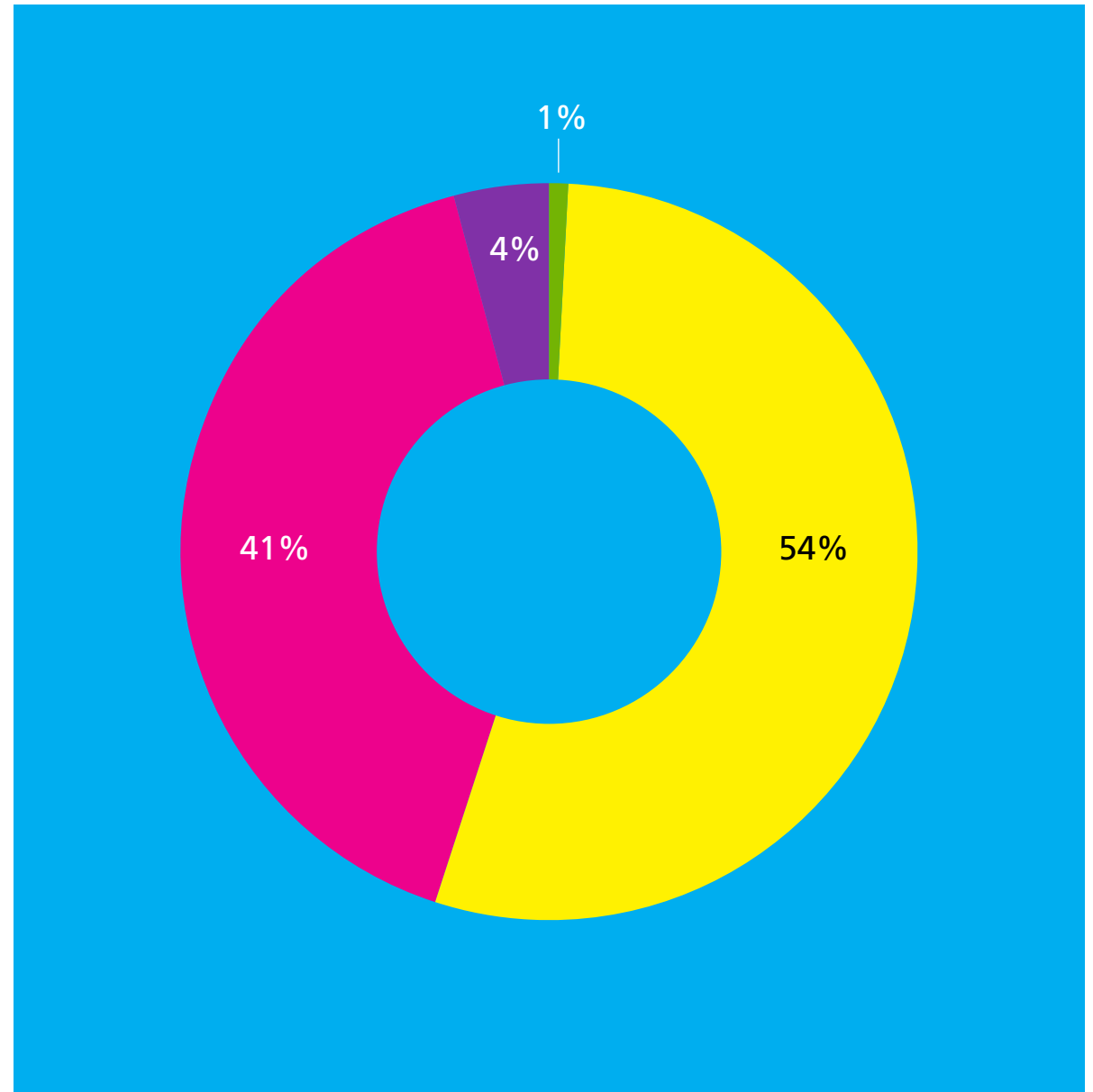
We offer our many thanks to our panel of executives who contributed insight for Part 2 of this report, including Shannon DiPietro, Carolyn Hudson, Carolyn Isaacs, Anna Mitchell, Dr. Michael Pütz and Marco Ryan.

There are no simple answers to complex challenges. We hope this report provides useful insights for management teams as they carefully map the future and align their global teams for the next stage of success.

Robert Winterhalter, Ph.D.
Global Leader, Human Resources Practice
Managing Partner, Boyden Germany

How influential is the Chief Human Resources Officer on strategic business decisions in your organization?

- Very Influential
- Somewhat Influential
- Not Very Influential
- Not At All Influential





“The role of HR has shifted. We’re not just talking about people; we’re talking about new technology, diversity and other important elements of the workplace. A good CEO is, in many ways, dependent on a good CHRO.”

Jörg Kasten, Chairman, Boyden World Corporation and Managing Partner, Boyden Germany



“Similar to other regions, strategic thinking and development are important for HR executives in Asia when it comes to their influence in the overall business. HR executives who understand the business and its goals, and develop HR strategies accordingly, are considered invaluable to the organization and its development.”

Ami Bhatt Hardy, Partner, Boyden Greater China and APAC Leader, Human Resources Practice

Overview

Human resources decision makers across all geographies and industry subsectors agree that the Chief Human Resources Officer (CHRO) is influential with regard to strategic business decisions within their organizations. 95% of those surveyed find the CHRO to be influential, with 54% finding the CHRO very influential.

Despite cross-sector alignment, HR decision makers in industrials, financial services and real estate find the CHRO to be slightly less influential (89%). Company size, too, has an effect on response. Those at larger companies (revenue \$500M+) are more likely (98%) to find the role of the CHRO to be influential than those (90%) at smaller companies (less than \$100M).

This influence extends beyond the decision-making process and gives the CHRO access to the boardroom. Just under three-quarters (73%) say the Chief Human Resources Officer will increasingly take on strategic roles and become a trusted advisor to the CEO, C-Suite and board.

Many believe this change is here to stay. When asked how the role of the CHRO will evolve over the next five to 10 years, 75% say the CHRO will increasingly take on strategic roles as a key resource and counselor to the CEO, C-Suite and board.

Despite overall consensus that the CHRO is moving in a strategic direction, there are some regional differences. While 90% of those surveyed in Latin America believe the CHRO is evolving in this direction, those in North America (71%), the UK (68%) and Germany (62%) trail behind. The strong consensus among respondents from Latin America can perhaps be attributed to conditions specific to the region. As Aurea Imai, Managing Partner, Boyden Brazil explains, **“The long economic crisis in Brazil has forced organizations to design and implement strategic plans that comprised many significant change management efforts and other organizational actions, many of which have been led by HR executives.”**



Aurea Imai

Managing Partner, Boyden Brazil

The role of the CHRO is expected to become more strategic in Latin America.

73% of respondents indicate that the role of the CHRO will evolve into a more strategic role in the future. Geographically, the biggest discrepancy was in Latin America, where 90% of respondents note that the CHRO's role will become more strategic.

How will the role of the CHRO evolve over the next 5-10 years?

Strategic role in setting strategy

Transaction role and execute strategy

73%

27%

NORTH AMERICA

71%

29%

Strategic role in setting strategy

Transaction role and execute strategy

EU

65%

35%

Strategic role in setting strategy

Transaction role and execute strategy

LATIN AMERICA

90%

10%

Strategic role in setting strategy

Transaction role and execute strategy



“There are different emphases or dynamics to the CHRO role in different regions. What’s interesting is that this position has gone from being historically centered on personnel and HR processes to having a central role in determining critical strategic enablers surrounding talent engagement, open leadership, cultural change and their direct impact on business growth.”

Marco Ryan, Executive VP and Chief Digital Officer, Wärtsilä

Experience also seems to shape understandings of how the role of the CHRO will evolve in the coming years, with only 69% of those serving 10 or more years in their current role saying that the CHRO will take on more strategic roles, compared to 78% of those with under five years’ standing.

Shifting Functions

The CHRO’s shift to a more strategic role will, according to HR decision makers, alter the function of the position. In addition to typical HR functions, most HR decision makers believe the CHRO should be prepared to develop and implement human capital strategy (64%) in the next five to 10 years. The emphasis on strategy, according to Carolyn Isaacs, former Global Transition Director and Global HR Services Director, DiaGeo, is due to HR’s role in talent management. *“HR brings the people and talent perspective to the strategic decision-making process because, be it a commercial decision or a broader organizational decision, there’s always going to be a people aspect,”* Isaacs explains.



“The CHRO has arrived – they have credibility, influence, and are frequently mentors to the CEO.”

Jeff Hodge, Managing Partner, Boyden United States

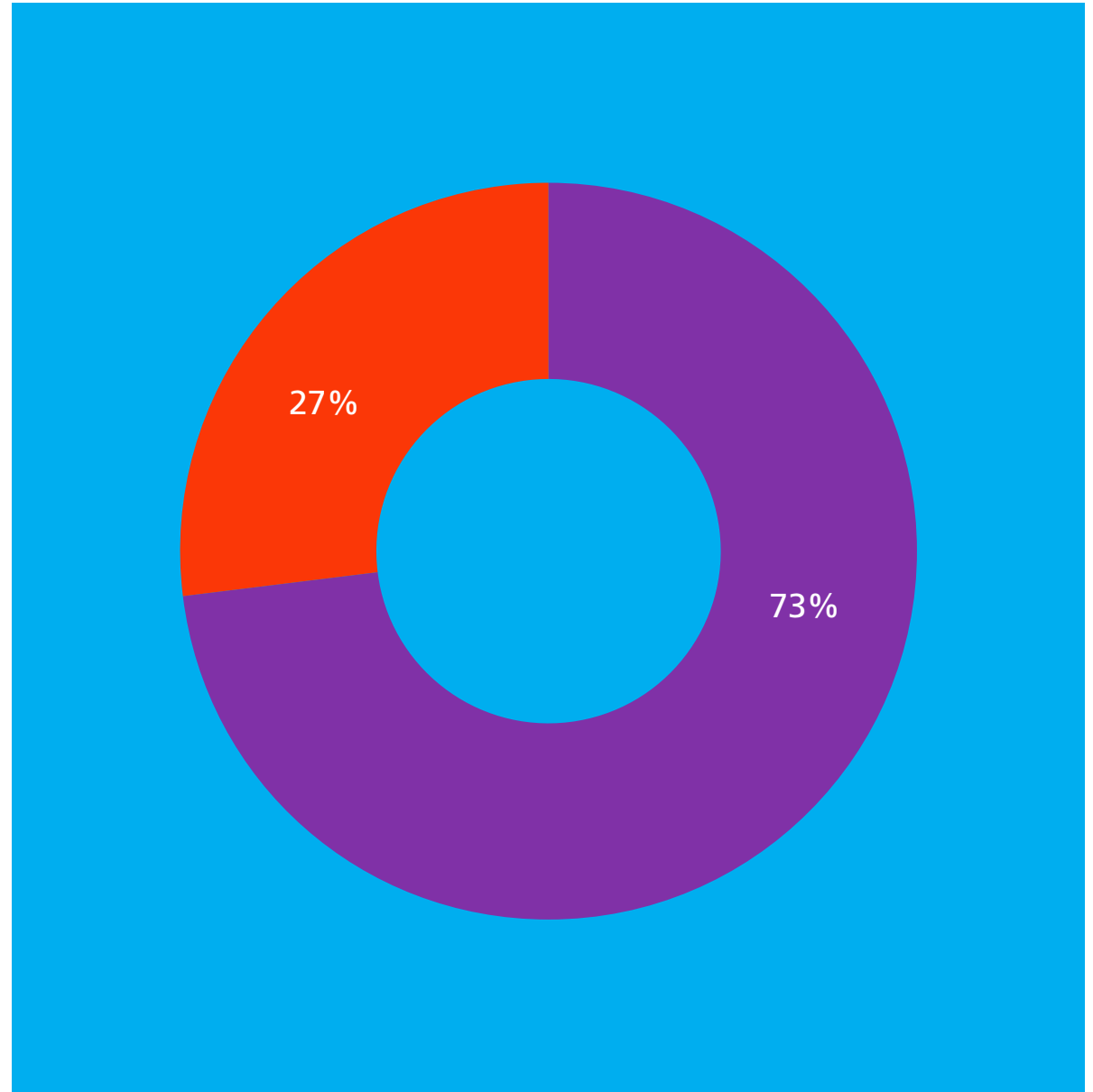


Carolyn Issacs

Former Global Transitions Director and Global HR Services Director, DiaGeo

How will the role of the Chief Human Resources Officer evolve over the next 5-10 years?

- The Chief Human Resources Officer will increasingly take on strategic roles and become a trusted advisor to the CEO, C-Suite and Board.
- The Chief Human Resources Officer's domain will be transactional and limited to carrying out the strategy of the CEO, C-Suite and Board.





“HR executives and decision makers recognize that the human resources sector is undergoing significant change. A key part of this change is the evolution of the role of CHRO. That change is here to stay.”

Francesca d’Arcangeli,
Managing Partner,
Boyden United Kingdom and
Global Leader, Industrial Practice

Some believe the role of CHRO will extend to include other functions, but opinions differ on a regional basis. Overall, 60% of HR executives believe the CHRO should be working with the CFO to implement performance measurements. The CHRO’s role in performance measurement is most popular among North American HR decision makers (72%) compared to 56% in the European Union and 46% in Latin America.

There was less consensus surrounding the CHRO’s role in implementing overall business strategy. Overall, 56% believe the CHRO should be involved in this process. However, dramatic regional discrepancies are present between Australia (75%) and Brazil (only 36%).

Those at larger companies (56%) were more likely to think the CHRO should be working closely with the Chief Technology Officer, Chief Information Officer or Chief Data officer to develop and implement technology than those at smaller companies (33%).



“HR is not just handling payroll, benefits and transactional communications with employees. Rather, it’s shifting to look at the entire employee experience from the birth of a career to the very end. In that way, the CHRO has truly become a part of the C-suite.”

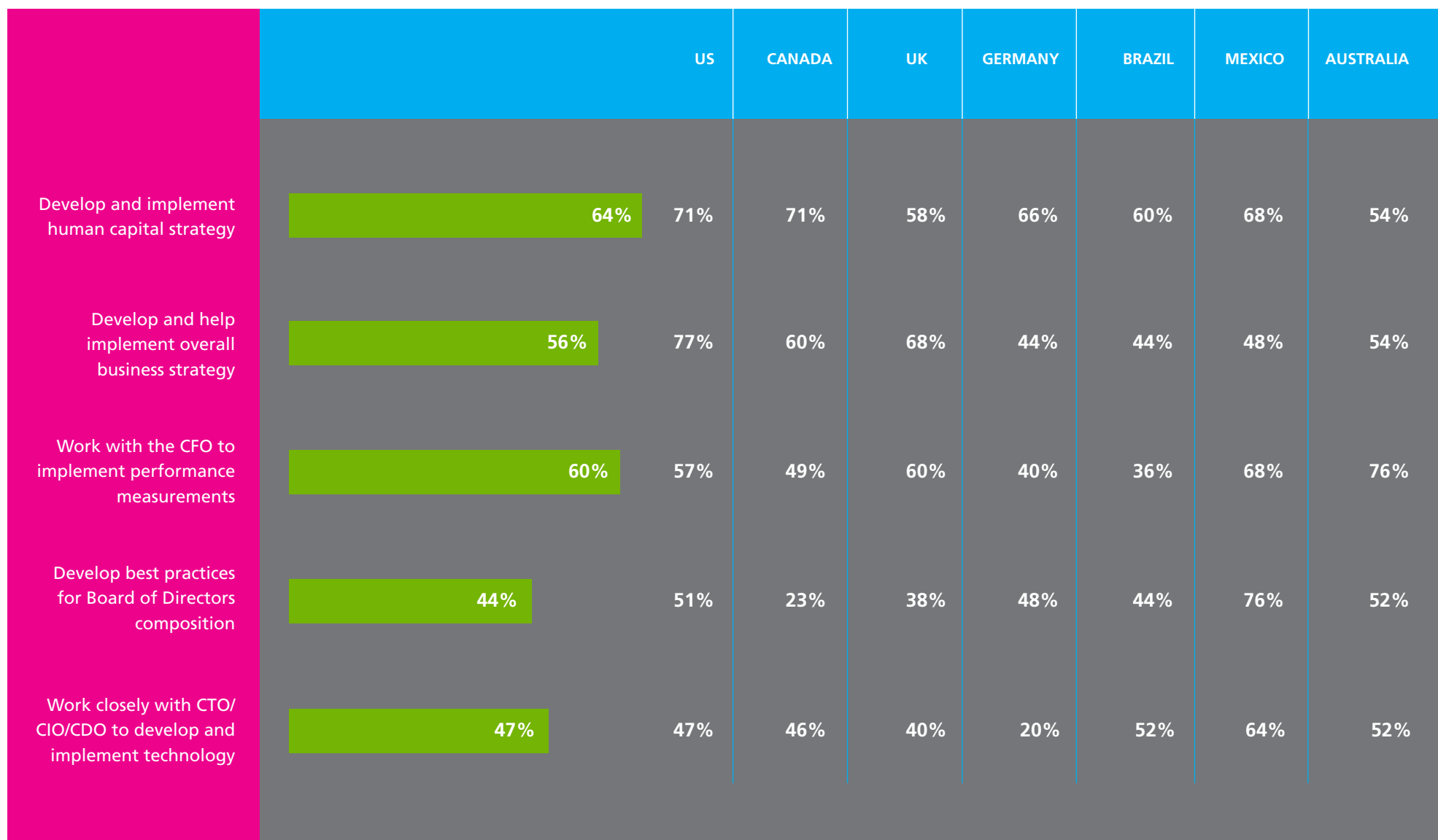
Carolyn Hudson,
Managing Director and
Head of Americas, People &
Change Practice, FTI Consulting



“The last few years have seen a larger number of HR leaders taking on wider portfolios, in addition to HR. The importance of a diversity of skills is growing, especially around brand and customer experience. The CHRO role will change into a wider remit, needing HR leaders to have strong business, transformation and technology knowledge.”

Michael Semark, Partner,
Boyden Australia

In addition to typical human resources functions, such as benefits and compensation, what should the Chief Human Resources Officer be prepared to do in the next 5-10 years?





Barry Bloch

Partner, Boyden Australia



Anna Mitchell

Business, Change and Communications Consultant and former Managing Director, Global Online Business, Coats



Dr. Michael Pütz

Senior Vice President, Human Resources, Harting Group

CHRO as Stepping Stone

It is clear that the role of the CHRO is shifting to include new functions and responsibilities – especially when it comes to deploying new technology. But does this mean the CHRO is now on the path to CEO? In fact, 89% of HR executives agree that the CHRO role will become a stepping stone to executive leadership positions such as CEO, with 42% in strong agreement. For Barry Bloch, Partner, Boyden Australia, the potential for the CHRO to shift into executive leadership positions is contingent on breadth of experience. *“Human resources executives who aspire to the CEO role would benefit greatly from time and experience outside of the human resources profession, ideally in operational and commercial roles and environments,”* he explains.

While HR executives agree across regions and sectors, those in professional services (91%) and education (92%) are more likely to view the CHRO as a stepping stone to the CEO role than those in industrials and financial services (79%). According to Anna Mitchell, Business, Change and Communications Consultant and former Managing Director, Global Online Business, Coats, this distinction between industries stands to reason. *“When a business’s main asset is people,” she says, “it absolutely makes sense to see the CHRO as a potential path to CEO.”*

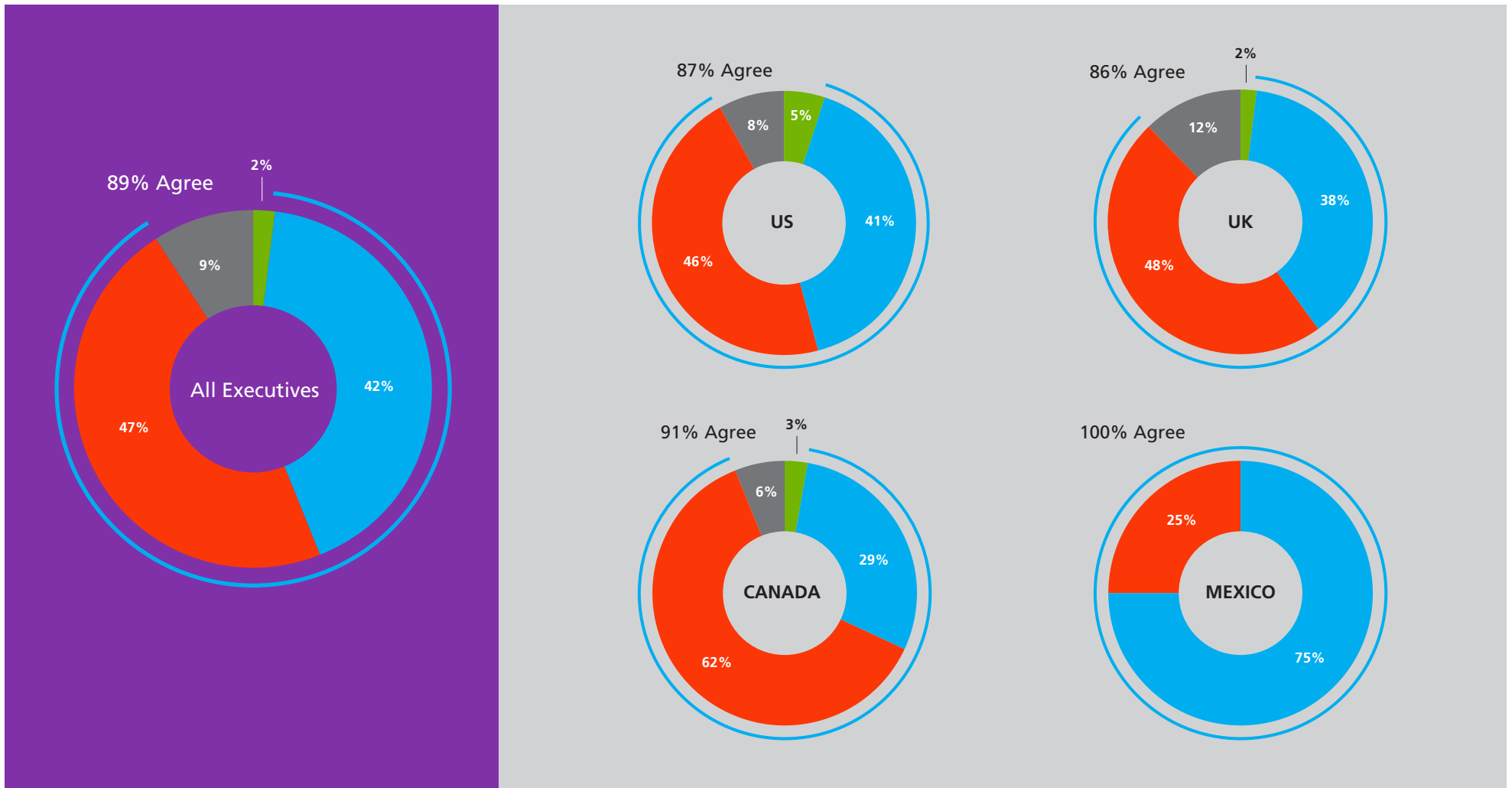
Despite the slight variation based on sector, the amount of time HR executives have spent in their role seemed to have little effect on how they viewed the potential of the CHRO to become CEO. 87% of those who have spent less than five years in their role agree that the CHRO will become a stepping stone to executive leadership positions, compared to 90% of those who have spent five to 10 years in their role and 91% who have served over 10 years.

The CHRO’s potential path to CEO has been heavily influenced by shifting business needs, according to Dr. Michael Pütz, Senior Vice President, Human Resources, Harting-Group. *“The increasing global battle for talent,”* Pütz states, *“will also help ensure that the role of the HR professional is likely to gain importance in the medium term. In my own experience, hardly any board meeting is conducted without HR topics being discussed. This is different than 10 years ago.”*

To what extent do you agree or disagree with the following statement?

The Chief Human Resources Officer role will become a stepping stone to executive leadership positions such as CEO.

● Strongly Agree
 ● Somewhat Agree
 ● Somewhat Disagree
 ● Strongly Disagree





“The career path to CEO is still heavily bent on the financial and sales functions. Any HR professional looking to make the leap to CEO will need to ensure a run in finance as well as sales and general management.”

Shannon DiPietro,
Vice President,
Human Resources,
Thermo Fisher Scientific



“The CHRO has influence and plays a significant role in organizational strategy. This influence will continue to increase over the next few years and puts tremendous pressure on the CHRO to deliver. The CHRO should focus on educating managers and executives to get the most out of their teams.”

Birger Svendsen,
Managing Partner, Boyden Norway
and EMEA Leader,
Human Resources Practice

Conclusion

The days of thinking of the CHRO as simply in charge of employee communications are over – the role is undergoing significant, and likely lasting, change. CHROs are becoming increasingly ingrained in business decisions, from the implementation of new technology to human capital strategy. But with this change comes a level of uncertainty about how the CHRO fits into an ever-evolving global business landscape. Only time will tell if the role has indeed evolved into a stepping stone to CEO.

In the final installment of this report, we turn our attention to one of the most pressing issues facing the human resources sector: diversity. In this section, we will examine how HR executives understand, work to implement, and track progress when it comes to building a more diverse workforce.

Survey Methodology and Demographics

The 37-question survey was fielded by FTI Consulting under the direction of Boyden February 16-March 27, 2019 among 310 global human resources and other senior executives in several industry sectors, including 50 executives from Australia, 25 from Brazil, 35 from Canada, 50 from Germany, 25 from Mexico, 50 from the United Kingdom and 75 from the United States. The sample includes 54 C-Suite executives, 148 Heads of Human Resources, and eight Executive Vice Presidents or Vice Presidents.

Years in Current Position

Less than 3 years	12%
3 to 5 years	25%
5 to 10 years	34%
10 to 15 years	15%
15 to 25 years	11%
More than 25 years	3%

Industry Sectors

Consumer & Retail	10%
Technology	8%
Media/Entertainment	less than 1%
Energy	4%
Industrials & Manufacturing	8%
Financial Services	6%
Professional Services	22%
Education & Research	15%
Travel	1%
Real Estate	3%
Other sectors	23%

Company's Annual Revenue

Less than \$100 million	28%
Between \$100 million and \$250 million	14%
Between \$250 million and \$500 million	16%
Between \$500 million and \$1 billion	14%
Between \$1 billion and \$5 billion	12%
Greater than \$5 billion	10%
Declined to answer	6%

Gender

Female	65%
Male	35%

Age Ranges

Under 35	32%
Ages 35 to 44	33%
Ages 45 to 54	25%
Ages 55 to 64	7%
Age 65 and above	3%