The Rise of the CHRO
Introduction

The Chief Human Resources Officer (CHRO) role is an elusive one. Human resources (HR) professionals have worked for decades to earn not only a place at the table, but a voice in the C-suite and boardroom. Still, the function’s presence in these environments remains far from ubiquitous.

The CHRO role experiences frequent turnover, as high as 39% among Fortune 100 CHROs in the past two years. This churn is likely attributable to the “uphill battle” HR as a whole faces in establishing itself as an integral part of the businesses in which it operates and earning a leadership role, not just in name but in practice, within their organisations. The level of inclusion of the HR function in business-critical decision making varies, and is connected to the CEO and other C-suite leaders’ understanding of the importance of the function. Unfortunately, many companies still lag in their opinion of HR’s value to their bottom line.

What has been holding many HR functions and their leaders back from realising their full potential? Furthermore, what does a fully actualized CHRO look like, and how will technology transform the function?

These questions deserve extensive exploration. Recently, companies have taken various approaches to HR, including outsourcing the entire department, assigning HR functions to front-line managers, and even shedding HR departments entirely. Thought leaders seek best practices that will help HR professionals optimise their effectiveness and prove their value to the businesses they serve.

In this report, Boyden will touch on the history and challenges of the HR function, detail why now may be the best time yet for HR practitioners, and delve into one of the most divisive issues regarding the evolution of HR – all against the backdrop of how CHROs and other HR leaders can drive progress for their teams. We will also explore what is perhaps the CHRO’s most promising path to ascension in the ranks of their company’s “most valuable players.”

For the purpose of this report, the moniker of “CHRO” will be used to describe not only those who hold the Chief Human Resources Officer title, but also those holding the most senior HR roles within their organisations.

A Timeline of Talent Management

To examine the future prospects of the CHRO, one must first understand the evolution of HR as a discipline. For as long as the function has existed, its influence has been inexorably linked with the economy and related labour market conditions. The following graphic details trends in HR in the US from 1900 to the present.

The tumultuous history of HR reflects the uneven progress the function has made and the effects of an unpredictable economy on talent management at large.

The HR discipline was initially established as “Personnel!” at a time when employees were considered a business expense and a liability. While times and attitudes have changed, and employees are now seen as assets worthy of investment, ghosts of these underlying assumptions can still be felt, and the function’s perceived value within the organisation is not always clear among the C-suite, board and employees alike.

1 http://www.visier.com/lp/changing-role-of-chro
2 http://www.bersin.com/blog/post/The-Changing-Role-of-the-CHRO.aspx
3 http://www.workforce.com/2013/03/22/is-hr-at-its-breaking-point
5 http://www.huffingtonpost.com/donna-flagg/where-hr-and-finance-depa_b_664068.html
HR’s Activities Closely Track the Labor Market

**Early 1900s**
The HR function (known as “industrial and labor relations”) was born. After steel and oil had transformed U.S. business in the 19th century, it became clear that workforce management needed its own discipline.

**1920s**
In a thriving economy, good workers were hard to come by and even harder to keep. HR induced supervisors to treat people well.

**1930s**
During the Great Depression, supervisors favored the “drive” system of management (threatening and sometimes hitting) and saw HR as a hindrance. Workers put up with almost anything to stay employed. Talent development was practically nonexistent.

**1940s**
After World War II, one third of executives died in office with no one to replace them. To fill that void, HR created a host of revolutionary hiring and development programs.

**1970s**
As the economy slowed, labor was once again plentiful. Business leaders started undoing all those postwar programs designed to attract and develop talent.

**Early 1980s**
The U.S. went into a deep recession, and workers clung to their jobs. Rather than invest in HR, companies pushed hiring and development tasks onto line managers, who had neither the time nor the training to do them properly.

**Late 1990s**
During the dot-com boom, companies competed fiercely for “employer of choice” status to meet their soaring talent needs. So HR enjoyed a brief heyday, focusing primarily on hiring and retention.

**2001**
When the dot-com bubble burst and the economy tanked, business leaders felt little urgency to attract talent. Productivity rose, wages stayed flat, and HR lost the influence it had enjoyed during the boom.

**2015**
With the effects of the Great Recession of 2008 still lingering, most people with jobs aren’t jumping ship yet, so executives feel no urgent need for HR programs. HR must make a case for them.

Common Challenges

Even with recognition of the CHRO’s value increasing and the market reflecting the need for these individuals, challenges are ever-present for those within the discipline. The issues affecting senior HR practitioners are numerous and complex. Compensation and representation on executive committees often differs among CHROs and other relatively new C-level or equivalent titles, such as CMO or CIO, observes Sébastien Froidefond, Senior Vice President of HR and member of the executive committee at beauty products manufacturer Coty, Inc. These benchmarks vary significantly from company to company, and largely depend on the level of support, company strategic agenda, and buy-in that the HR function receives from C-level colleagues and the Board of Directors.

Below are a few other challenges CHROs and their teams have faced in earning respect and proving their value within their organisations.

The Partnership That Matters Most

Increasingly, CEO buy-in and proactive support are driving forces behind all meaningful change within an organisation. In the CHRO’s journey, the importance of the CEO relationship cannot be underestimated.

A successful CHRO supports his or her CEO by serving as a coach, mentor and sounding board through difficult decisions. Acting in this role, CHROs must position themselves as partners and constructive challengers, and establish a relationship of trust. Helping the CEO build a high-performing and cohesive executive leadership team is pivotal to the success of the business, and a critical element of the CHRO role.

However, a study conducted by McKinsey and the Conference Board found that despite the level of partnership often developed between the two, when it comes to choosing the most important roles in a company, CEOs give CHROs a low ranking because, though they are believed to perform well in their specific functions, there are concerns that they do not understand the broader business workings and wider company objectives.

A criticism often heard is that some CEOs believe the CHRO is still preoccupied with processes and rules, though this assessment applies less to CHROs who have successfully established credibility. This outdated perception can result in the CHRO not being viewed as a strategic partner able to contribute to the overall company vision and direction.

However, where there is a successful partnership and the CHRO has transitioned into a more strategic and business-focused contributor, the CEO is more inclined to elevate the position. In a study conducted by the Henley Centre for HR Excellence, CEOs believe that with their support, CHROs can expand their focus beyond the HR function to encompass a broader company perspective. Doing so allows them to act as an efficient and effective interface between the internal company, executive players, and the external landscape. This is crucial to identifying and developing talent at all levels with both the current climate and future developments in mind. Having an external perspective and understanding the competitive landscape and market dynamics is an area where CHROs are developing greater capability, which is highly valued by CEOs.
The 2015 PwC Global CEO research report reveals that as many as 73% of CEOs rated the skills shortage as their businesses’ greatest threat. Along these same lines, Harvard Business Review asserts that, while research by McKinsey and the Conference Board consistently finds “CEOs worldwide see human capital as a top challenge…they [also] rank HR as only the eighth or ninth most important function in a company.” One reason for this low ranking may be that the HR team is perceived as being out of touch with the business and their companies’ actual hiring needs.

“...the CEO-CHRO relationship is of paramount importance when considering the fact that a change of CEO will, as statistics prove, often prompt a change of CHRO”, explains Lisa Gerhardt, Leader of Boyden’s Global HR Practice and Partner, United Kingdom. “This is much more common than in any other function with a new CEO appointment, either internal or external. The need for a trusted partner who will act as a confidante as well as the conscience of the business gives a new CEO impetus to choose his or her own HR leader.”

Issues of Perception

In many ways, HR’s ability to be seen as a valued part of an organisation is limited by long-held, entrenched perceptions among their senior-level colleagues. CHROs vying for value have a number of ideas to introduce and misconceptions to debunk – and no roadmap for doing so. The challenge of changing perceptions is, at this point in time, often something that must be done not only systematically, but by individuals in the context of their own organisations. It can include:

- **Making the case that talent is a company’s greatest asset and managing it properly is directly tied to profitability:** With the rise of big data, identifying key performance indicators and quantifying the value of attracting, cultivating and retaining top talent have evolved enormously, yet many HR organisations are far from fully enabled to adjust to the transformation.

- **Assuming the ethical responsibility to stand up for today’s important workplace issues:** According to Dean Carter, Vice President of Human Resources and Shared Services at outdoor clothing and equipment company Patagonia, HR has an imperative to advocate for progress in areas like expanded childcare, parental leave policies, and equal pay for women. The status quo on these issues is deeply entrenched in many business cultures, and HR is in a unique position to drive significant positive change.

- **Eliminating the perception that the HR function is a cybersecurity threat:** Given the volume of data that HR manages on salaries, health records and other proprietary information, questions often arise about cybersecurity and the HR function. HR has not always been in lock-step with the latest cybersecurity measures within their organisation, and breaches are often a result of employees’ lapses. This fuels uncertainty about HR’s role in terms of readiness to protect confidential personal and in many cases business-critical data, as well as manage through and recover if an incident does occur.

Many of these issues of perception are steeped in a collective understanding of what a role is or should be. Individuals and businesses are handicapped by their previously held views, opinions and experiences of HR. One example which may appear basic, but in fact runs quite deep, is that of nomenclature. Is CHRO in fact interchangeable with “Human Resources Lead”? What is it about the C-level HR title that gives some companies pause? All else being equal, why does it matter what these individuals are called?

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“...the CEO-CHRO relationship is key to the success of business transformation and other organisational foundations. They should serve as a sounding board and ensure that their input sheds a somewhat different light in decision making. The CHRO must be able to have a clear and strategic vision of the road ahead, as projected by the CEO, in order to be able to anticipate the obstacles he or she will encounter on the journey.”

Kristen Smit, Boyden Board Member and Managing Partner, France

“The CHROs who are invaluable to CEOs are strategic business partners. Top HR executives are driving change and business results, and they must have a strong understanding of company operations. They effectively leverage technology, and most importantly, they’re developing and retaining top talent.”

Catherine Gray, Partner, Boyden Chicago

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11 https://hbr.org/2015/07/people-before-strategy-a-new-role-for-the-chro
12 http://www.workforce.com/2013/03/22/is-hr-at-its-breaking-point
13 http://www.thesocialworkplace.com/2012/03/the-measurable-value-of-human-resources
Title Inflation

In extension of recent trends associated with corporate protocol, as observed by the University of Pennsylvania’s Wharton School of Business, are instances of “title inflation” often occurring in challenging economic environments. This practice arises from a company’s need to acknowledge good work and give employees a sense of advancement and accomplishment, generally in lieu of monetary recognition, such as a bonus or raise.

Title inflation has frequently involved the assignment of a “C-level” title to an otherwise non-executive role (such as “chief cultural officer”, “chief privacy officer” and “chief reputation officer”). The practice has in many ways anesthetized the public to, and even called into question the validity of, C-level titles. This has only made HR’s climb more difficult. While the most senior leader of a company’s HR function is among the most important in the C-suite, the relatively new incidence of the “CHRO” title does not help to elevate perceptions of the position or the importance of the function. Today, the majority of senior leaders within the HR function do not carry the title of “CHRO”, but rather some variation of Human Resources Head, Lead, Senior Vice President or similar.

Why Now?

The CHRO’s journey has been longer and more complex than that of many of their C-level peers. Perhaps this explains the robust depth and breadth of literature available on the changing role of the CHRO and the human resources function.

There are many reasons why, in the current hiring and economic environment, the CHRO is a central and indispensable player. Increasingly, as intellectual capital and the “human element” become the biggest factors by which companies differentiate themselves, attracting and retaining top talent and cultivating human capital has become one of the highest priorities for senior leaders.

Aside from the need to build and maintain strong teams, eliminating time and resource waste on on-boarding and off-boarding activities goes a long way toward cutting costs and maximising profits.

A report by Deloitte Review, titled “Disrupting the CHRO: Following in the CFO’s Footsteps”, compares the transformation of the CHRO role to that of the Chief Financial Officer in years past. Once a quiet back-room function, HR is becoming an essential driver of business success, based on its practitioners’ understanding of “people” dynamics.

The CFO’s rise to the right hand of the CEO came about based on environmental factors, including greater sophistication in financial instruments, and relatedly, more abundant regulation; greater access to global capital markets; and greater speed of information, transparency and external scrutiny. Similarly, market conditions are driving the imperative for companies to place greater importance on CHROs and their broadening capabilities for value creation.

As Matthew Burkley, CEO of Genscape and former CFO of ThomsonReuters Sales and Trading explains, “HR used to be about processes and controls. Now, they need to be about driving business results. The challenge of the transition is that a lot of HR people try to ‘talk the talk’ about building talent strategies, but they inevitably retreat back to their comfort zone and want to implement some new system or process.”

Jim Harmon, Managing Partner, Boyden Canada

“Nearly all of our most exciting and successful clients share a common characteristic, which is a CHRO who enables business strategy versus only creating and maintaining policy and framework. Just as the best finance or marketing executives are expected to be creative and transformational, great companies also need HR leaders to solve problems that stand in the way of the business, rather than inhibiting organisations with rigidity.”

Dinesh Mirchandani, Managing Partner, Boyden India

“Top-notch CEOs and CHROs share many of the same traits. Best-in-class executives have a leadership style that motivates employees, develops future leaders and creates a winning culture. As CEOs are more often being evaluated on these qualities, many should move into closer contact with the leader of HR, who should be an expert on those same qualities. Just as CEOs can learn from HR leaders, CHROs need to learn leadership lessons from CEOs as they break new ground as business and strategy advisors.”

http://knowledge.wharton.upenn.edu/article/chief-receptionist-officer-title-inflation-hits-the-c-suite


In a survey by Deloitte, titled “Business Partners Needed: Results of Deloitte’s 2013 Global Finance Talent Survey”, 39% of CEOs reported having extreme difficulty in meeting demand for the talent required to run their organisations. This further underscores the importance of creativity and strategic thinking among talent management decision-makers to attract and retain the right people for the right jobs.

“CHROs now need to truly understand business drivers. Successful business leaders now bring HR into the core of decision making. It is the people that are literally ‘front and centre’ of company success or failure. It’s not enough to have the best technology, products or services – it is reaching a collective, company-wide level of understanding of the business objectives and of how each employee’s contribution impacts that result that is the hardest challenge for CHROs. How employees behave dictates what can be achieved.”

Francesca d’Arcangeli, Managing Partner, Boyden Middle East and North Africa

The source of US corporate value creation has changed


Expert View:

John Lucas, Senior Vice President, Global Human Resources and Chief Human Resources Officer at The Goodyear Tire & Rubber Company

What are the greatest challenges CHROs face today?

Lucas: With multiple generations in today’s workforce, all of which are ‘wired’ a little differently, it’s all about talent, and oftentimes, the war for it. How do I acquire, develop, motivate and (most importantly) retain it? If I do this better than my competition, I drive competitive advantage for my organisation.

Given your experience as an HR leader across a wide range of industries, how does industry dictate the qualities needed for a great CHRO?

Lucas: If my more than 30 years in the field has taught me anything, it is that good HR is largely industry agnostic. The competencies required for success don’t vary significantly based on industry type. At the end of the day you’ll be measured on your ability to effectively manage your human capital and grow an organisation, all within the uniqueness of the culture.

The conversation about the CHRO earning a “seat at the table” in the C-suite and boardroom has been going on for years. What do you think has impeded HR leaders?

Lucas: Over time the function has moved from soft skills to a much more analytical and data-driven approach. For those that are comfortable in the numbers there has never been a better time to be an HR practitioner. The key is to align the human capital strategy with the business strategy. Managing human capital effectively will help organisations execute their strategic plans.

Are conditions today ripe for them to finally get there? Why or why not?

Lucas: Yes, with the right CEO and executive leadership team they will see the connection between the human capital strategy and achieving the business strategy.

Once there, what do you believe is the key role a CHRO should play in the C-suite and the boardroom?

Lucas: It changes daily. Some days I play the role of coach, other days a confidante, and some days cheerleader, without ever losing sight of my unique responsibility as the steward of the culture and an advocate of our people.

What’s your view on the notion that HR should be split into two distinct, but related functions: one for administrative and one for strategy?

Lucas: I don’t favour a split approach. I also don’t believe you can effectively separate the design from delivery without losing sight of the total employee value proposition. If I’m the CEO, I want to hold one leader accountable.

What technologies are most important to the evolution of the CHRO role?

Lucas: With the advent of big data and predictive analytics, you now have the ability to establish a comprehensive workforce plan which feeds succession planning and the talent acquisition process, particularly for those critical talent segments that ultimately determine the organisation’s success in the marketplace.
Divide and Conquer?

The Argument

When industry professionals and those in the C-suite are asked “What is the greatest challenge of the CHRO?”, a long list emerges, and there are almost as many proposed solutions as there are answers to the question. Coty’s Sébastien Froidefond says providing clarity and simplicity in our processes and leadership’s approach to talent in facilitating the management of business complexity – with respect to the economy, politics, digitisation, data, and need for rapid innovation – is the greatest challenge.

John Lucas, Senior Vice President, Global Human Resources and Chief Human Resources Officer for The Goodyear Tire & Rubber Company claims it’s the war for talent. Patagonia’s Dean Carter argues that it’s the changing nature of work. These points of view and those of other industry leaders, however, all arrive at the same conclusion: To advance the HR discipline and earn the respect, trust and stature befitting what is arguably the most important function within a business, the CHRO must be more strategic.

In Harvard Business Review, business consultant, entrepreneur and writer Ram Charan provides his recommendations on how to achieve this goal. He asserts that HR as we know it is not one discipline, but two: the strategic and the administrative. To optimise performance of each of its components and maximize the value it delivers to the business, it therefore must be split into two entirely separate entities.

The strategic aspects of HR include making staffing decisions, ensuring employees are engaged and change-ready, and generally aligning the company’s human capital priorities with business performance, among other responsibilities. Administrative aspects, on the other hand, include things like recruiting, hiring, on-boarding, benefits and regulatory compliance.

Reporting Structure: Those who support this split believe the proper reporting structure for the two resulting functions is as follows: The strategic function would report directly to the CEO, while the administrative would be aligned under the company’s Chief Financial Officer, Chief Administrative Officer or other functional lead responsible for accounting and profitability.

Staffing Considerations: The strategic function would require individuals with prior experience in operations and/or finance, as well as general business acumen. A deep understanding of the business’ overarching goals will be very much a part of their daily decision making. The administrative role would require highly detail-oriented individuals, with the most block-and-tackle tasks of the function being significantly streamlined through implementation of appropriate technologies. We’ll delve more into how technology can alleviate the administrative burden later in this report.

This recommendation comes from a pessimistic view of the existing relationship between CEOs and CHROs, in which the former are frustrated with the latter. However, proponents assert that CEOs understand the value of talent management to their businesses, and as such, would like to be able to rely on them. A parallel is drawn between the relationship of CEOs and CFOs and that which they wish they could have with their heads of HR. The end goal is to help CEOs “use their chief human resources officers...as sounding boards and trusted partners – and rely on their skills in linking people and numbers to diagnose weaknesses and strengths in the organisation.” The split is the vital step required to meet this goal.

“HR executives are leveraging data and workforce analytics in an historical review context but also in a predictive capacity to impact performance management, employee engagement, and even how they recruit. For potential employees, especially millennials, the quality of experience in using a company’s hiring system will influence how they perceive that organisation.”

Gabrielle Robinson, Partner, Boyden Middle East and North Africa

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Support for the Split

Two years before Charan published his controversial recommendation, Workforce magazine published an article titled “Is HR at Its Breaking Point?” In it Jac Fitz-ens, founder of California-based consulting firm Human Capital Source, asserts that corporations have “patched together a function that isn’t working very well.”

The split would “[give] us the opportunity as HR professionals to reshape our roles into something more creative and meaningful”, according to Dawn Nott, Director of HR at Zenefits and 15-year veteran of the HR discipline.

When asked what she believes the ideal role of the CHRO should be, Nott describes three primary responsibilities. First, a CHRO should have a constant eye toward increasing effectiveness across the organisation. Second, he or she must understand and reconcile the goals of the company and fellow leaders with sentiment toward those goals among employees. Third, and perhaps most importantly, the CHRO should be an enabler of progress, not a roadblock.

“Between the sea change wrought by the cloud and big data, and the ever-increasing strategic needs of organisations, covering both sides spreads us way too thin”, says Meghan Biro, founder and CEO of TalentCulture. “[If] freed from the task of simply managing talent, [the strategic] side of HR can view and approach talent as the strategic investment it is.”

Froidefond of Coty supports a functional split as well. “Ideally, HR is about talent and organisational performance and development, group outsourcing, job design, driving the setup and how these fit into the business priorities of the organisation. This HR agenda is not about payroll, conventional technology and administration; they are better and more intuitively managed under an information systems role, ideally intuitive”, he explains.

David Ulrich, a professor at the University of Michigan’s Ross School of Business, also advocates for a split, but on very different terms than Charan. He believes the split must address the increasing link between HR activity, leadership objectives and business results, as well as the need within organisations for HR departments that are customised to their organisation in terms of efficiency at the corporate level and cultural relevance at the local level.

Personalised Solutions

There are others in the “pro-split” camp who support Ulrich’s assertion that customisation of the HR function is key. A global study by the Chartered Institute of Personnel and Development found that while little has changed in the way HR does business, in the nearly two decades from 1995-2013, there has been a significant decrease in the extent to which HR practices vary across business units. This shift toward standardisation has likely taken place in the interest of streamlining and cost reduction through economies of scale; however Robert Bolton, a partner in KPMG’s HR Transformation Center of Excellence, cautions that HR’s pursuit of “best practices” may be endangering the function.

Estelle Lagorce of Digitalist Magazine agrees. “There’s a lot of talk about simplicity versus complexity”, says Lagorce. “Many HR leaders are equating this with a move from heavily customised environments to more standard environments. The problem is, moving to a standard environment actually takes us further away from the goal of HR being business-aligned because it limits the ability to demonstrate…that HR is delivering against their needs.”
The Case for Consistency

On the other end of the spectrum, there are those who believe a split is unnecessary, and even counterproductive. “I don’t believe you can effectively separate design from delivery without losing sight of the total employee value proposition”, says Goodyear’s John Lucas. It is widely accepted that the HR function has an ongoing imperative to prove its value to the business, relative to exterior market forces. What this entails, however, is a matter of debate.

Overwhelmingly, those who want to keep HR intact advocate for expanded educational efforts on the part of the CHRO and his or her functional counterparts. “I have always looked for one thing when filling HR positions – intellectual curiosity. Armed with intellectual curiosity, a competent learner can grow and become proficient very quickly”, says Carol Anderson, consultant and nationally recognised expert on workforce issues. In other words, discrete skills can be taught as needs arise, but those pursuing a career path in HR must be flexible and hungry to evolve along with their highly mutable industry.

Many argue that an operational understanding of the business is necessary for effective HR leadership. While this concept is widely supported, industry leaders disagree on the level of commitment and the depth of understanding this entails, with opinions largely driven by their own background and experience. Anderson believes that the optimal path is for individuals with HR backgrounds to gain structured experience outside their own function. Others assert that mandatory and systematic rotational programs, hiring a mix of HR practitioners and operational experts into HR roles, or simply encouraging HR practitioners to assume business experience outside of the office (serving on boards, etc.) are necessary for the development of informed, integrated HR leaders and teams. Ultimately, the correct answer is contingent on the specific needs, preferences and appetites of each individual business.

Helen Lam, a professor of human resource management at Athabasca University in Alberta, Canada agrees that HR should be a strategic position and valued as such across the organisation. She contends, however, that creating silos rather than increasing integration will impede achievement of this goal. Lam – along with many others – believes that education is the lynchpin by which to advance the HR function. While she believes a strong background in HR is essential for the CHROs of today and tomorrow, she advocates that HR education at the graduate and post-graduate level be expanded from its current state, which contains heavy administrative foundations, to include business and strategy courses in greater proportion.

“The CHROs of the future will not only mobilise engagement among people and preserve the culture, but they will also be a key decision maker in organisations”, explains Alexandre Sabbag, Partner, Boyden Brazil. “They will more rapidly move from the back office to a front office, making things happen as much as any other colleague in a commercial role. In most developing countries the HR function has the additional responsibility of closing the education gap to make certain companies are truly global and competitive.”

Technology’s Role in Transforming the HR Function

“Technology can scale to certain tasks in a way that humans never can – including HR’s new and complex challenges”, says Todd Owens, CEO of technology company TalentWise.

Whether or not the HR function of the future is split in two, there is one fact on which everyone in the conversation can agree: Technology increasingly has the ability to streamline the administrative side of the discipline and enhance the impact of the strategic.
Many companies already streamline the administrative requirements of HR, such as recruiting, hiring, on-boarding, benefits and regulatory compliance, through outsourcing, automation and self-service technologies. The more automation can ease the strain of onerous administrative tasks, the less they will occupy the time and energy of skilled HR practitioners. “Less administrative work means more focus on the high-impact (and fun) parts of HR”, says Dawn Nott, Director of HR at Zenefits.

Within organisations still in the early stages of digitisation, technology systems used across the business can be highly segmented, creating significant integration challenges. This can, in turn, significantly hinder the efficiency of HR processes. However, with new ways to leverage technology, data and analytics becoming ever more effective, tailored and easily integrated, the onus is on CHROs and other senior leaders to identify and implement the tools that work best for their company. When the entire system works more efficiently and data can be collected more easily, these same leaders will have a better understanding of their business, and the HR function will be better able to serve the needs of the organisation as a whole.

This move towards embracing technology will specifically allow the CHRO role to align its activities more closely with the overall business objectives. Currently, many HR functions fail to maximise their ability to leverage data-driven insights, or don’t do so at all. As a result, the CHRO and his or her team miss opportunities to make informed decisions on strategic issues.

However as technology, data and analytics become more actively used by HR professionals, both on the administrative and strategic sides, HR will be better equipped to leverage their data. Human capital data, for example, will provide deeper insights into how talent management affects the company’s ability to reach its long- and short-term goals. Armed with these insights and freed from a degree of administrative tedium, CHROs and their teams will be well-positioned to align employee sentiment with business objectives, and to form and execute against strategies that will drive the business forward.

Ultimately, this more efficient CHRO, focused more heavily on informing business outcomes and better able to demonstrate and quantify their value to the organisation, will relate more closely to other C-suite positions. Senior leaders will increasingly look to the CHRO as the connection between business strategy and human capital to embrace new opportunities and differentiate themselves among their peers.

Technology, data and analytics will not only make the administrative aspects of HR more efficient, but also give CHROs the tools they need to develop key performance indicators to measure the effectiveness of strategic HR initiatives. More prolific use of technology can, for example, produce usable data in areas like engagement and employee turnover, which serve as reliable indicators of culture, satisfaction and trust in leadership. This data will not only help them understand their business’ workforce needs, but also identify and understand the implications of market trends. In doing so, CHROs will ultimately enhance their productivity and reduce risk.

Goodyear’s John Lucas points out that the HR function is more analytical and data-driven than ever. “For those who are comfortable in the numbers, there has never been a better time to be an HR practitioner. The key is aligning a company’s human capital strategy with its overall business strategy. The right CEO and executive leadership team will see the connection.”

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“"The HR function is the main force to evolve and manage organisations with respect to the disruptive effects of digitisation and the implementation of big data processes, which will cause major transformation in most companies. HR executives who embrace the digital world will gain major advantages."”

Jörg Kasten, Chairman of Boyden and Managing Partner, Boyden Germany
Expert View:

Dean Carter, Vice President of Human Resources and Shared Services at Patagonia

What are the greatest challenges CHROs face today?

Carter: A lot of unique things, which almost all involve the changing nature of work. We’re seeing a bigger shift right now than we’ve seen in a very long time. These changes include the rise of the contingent worker and greater diversity in the makeup of the entire workforce.

The nature of social is changing everything around what we do, such as how we communicate, how tribes form, how news gets out and how culture is driven. Social can either be a burden or an amazing weapon. And, there’s the democratization of work movement, where people are either less reliant or have less desire to be reliant on managers, hierarchies and organisational charts. Thus, overall, we are working harder to manage this massive change, which will solidify and redefine HR in a great way or eventually disintermediate the profession. It’s a really interesting time.

What will help HR continue to maintain its momentum as an equally valued member of the C-suite and board?

Carter: In most good companies today, the HR lead is someone you expect to see in the C-suite or on the senior leadership team. One of the things that will get more HR execs to the table is an ability to provide new information and reports around the management of workforce and human capital. We can then take all this new information and create actionable recommendations based on real data, so that the CEO and executive team can make more informed decisions. But, that isn’t happening in many companies. In some cases, the HR lead is stuck in a role as a coach and trusted confidante, and can’t elevate to a higher plane.

How is HR changing most across companies?

Carter: Disintermediation and democratization of HR is happening everywhere. This is particularly true around performance, feedback and the role of managers. In the past, the manager would collect all performance data, take notes, and then give it to you once a quarter or once a year.

Now, people can get performance information daily, which gives the manager the ability to disintermediate in a positive way on a regular basis. Systems are transforming what we’re doing in HR, immediately upgrading performance, and transforming feedback. I see a time when systems learn about people in an AI [artificial intelligence] way and begin to auto-assign learning assignments, versus people going out and picking from this massive library of things as many universities do now.

What’s your view on splitting the HR function into two distinct roles, strategy and administration?

Carter: If you read CFO Magazine or marketing journals, none of their articles self-analyse or advocate to “blow up” finance or split up the CMO. The same principles apply to HR, and I don’t see the need to splinter it up. There’s big value in working on strategies and “sleeves up” work, which is the quantifying and administrative portions. You have a better understanding of strategy when you also have your feet rooted in the real world, just as a CFO understands what’s happening in the cash flow, accounts payable and receivable, and in terms of how your catalogue and print is working with marketing strategy.

These administrative functions could be early warning systems for things that are important for capital strategy. When you pair administrative excellence with strategy, you have a powerful combination. HR suffers as a profession a bit from “imposter syndrome” in terms of their own perception of their seat at the C-suite table. For some of my HR colleagues in other organisations, I sometimes want to say, “You’ve earned it. You’re here. Get working.”
CEO Support for Cross-Functional Training

One specific way CEOs can invest in and elevate CHROs is by implementing cross-functional training. This will provide CHROs with broader business acumen and perspective, enabling them to play a more pivotal and strategic executive role. Cross-functional training will also enhance the careers of CHROs, making them more valuable in the position. Ultimately this type of training will help CHROs earn the support of the rest of the C-suite, who will no longer regard the role as an administrative function hampered by processes and rules. Instead, the larger C-suite will value CHROs’ experience and the way they inform business strategy and objectives. Finally, cross-functional training will benefit the entire company, as employees of all levels will look to CHROs for their ability to align internal decisions with external consequences and propel the company forward.51

Characteristics of the New CHRO

In this new, more strategic and elevated role, the CHRO must have certain personal characteristics and traits to realise success. The first characteristic key to a CHRO’s success is digital curiosity. By embracing the digital world and remaining curious about its uses and implications, the CHRO will be able to leverage data, technology and analytics to streamline systems and processes.52 This will benefit the company at large, maximising productivity, and benefit the CHRO individually, providing more time for strategic demands.

CHROs must actively look to the future. This will allow them to anticipate and react to trends in the global landscape and shifts in internal culture and strategy.53 Amidst these changes, CHROs will be able to develop and retain talent with an eye toward the future, make investment decisions in the workforce, and participate in long-range planning.54

Finally, CHROs must also be business-oriented. With this trait, CHROs will elevate the position beyond process-driven tasks, embrace training across business functions, and earn the respect of the other C-suite members. It will also help CHROs offer a strategic perspective on the overall business objectives and direction.55

Looking Ahead

Today’s CHRO is the curator of enormous potential intangible and tangible value, according to key experts.56 Lively debate and a high volume and frequency of published work around the CHRO’s ever-changing role, as well as HR’s value as a strategic business function, has been ongoing for decades. For example, today’s US labour shortage in some critical roles is increasing urgency on attraction, cultivation and retention of top talent, while big data is transforming the way companies operate and how they measure success.

Perhaps the time has never been more advantageous for the CHRO to overcome some of the challenges that have plagued the role since its inception – or more appropriately, its evolution into being.

52 http://www.visier.com/lp/changing-role-of-chro
Case Studies

Xerox

When Anne Mulcahy assumed the position of CEO at Xerox Corp. in 2001, the company was over $17 billion in debt and verging on Chapter 11 bankruptcy. As Mulcahy devised plans to revive the company and restore its bottom line, she drew upon her background in HR.

After rising up in the sales organisation, Mulcahy was ready for a new assignment and a new challenge. Excited by the prospect of HR and its impact potential, Mulcahy changed course and ran HR for Xerox worldwide from 1992 to 1995.

Faced with financial challenges and an unhappy employee base, Mulcahy knew that communication would be vital to transforming the company. She spent her first 90 days as CEO traveling between Xerox offices to speak to employees, gather honest feedback, and listen to ideas.

Mulcahy’s dedication to effective communication allowed her to bridge the employees’ internal grievances with the company’s external economic and financial troubles, echoing her role as head of HR. This process informed Xerox’s recovery plan, which included slashing debt, cutting expenses, and encouraging a culture of innovation and vibrancy. Ultimately, this focus on employees and internal resources as a source of external direction turned Xerox profitable again.

Following Xerox’s turnaround, Mulcahy continued to infuse her role as CEO with lessons from her time in HR. She believed developing talent and investing in those with high potential is crucial, as it cultivates future leaders and maintains success. Mulcahy also continued to interact with employees, whether in town halls, during roundtables, or visiting line operations. Throughout her role as CEO, during Xerox’s recovery mission as well as in maintaining its continued success, Anne Mulcahy demonstrated how the core tenets of HR can help a company reach success.

Cumberland Gulf Group

John McMahon has served as Cumberland Gulf Group’s Senior Vice President and CHRO since 2012. Throughout his tenure in this role, McMahon has committed himself to aligning the HR department’s strategy with the larger company’s business objectives. This has helped elevate the HR department in the eyes of the executive committee, earning executive support for new and revolutionary HR initiatives.

When McMahon assumed the role of Senior Vice President and Chief Human Resources Officer, his attention immediately turned to ensuring that HR was regarded as indispensable to CGG’s success. To combat the perception of HR as an administrative function divorced from the company’s business objectives, McMahon spent his first three months at CGG meeting with company leaders and asking business-related questions to understand the inner workings of the company. Following these meetings, McMahon spent the next month creating an HR strategy aligned with the company’s business objectives. He then presented this strategy to CGG’s senior management to gather feedback and demonstrate a commitment to the overall success of the business.

McMahon’s process of integrating and aligning himself and HR with the business at large earned him credibility as a business leader. HR’s credibility among the executive committee proved instrumental in 2013, when CGG pioneered healthcare reform by moving 1,500 part-time employees to full-time status, giving them access to company benefits and healthcare through the Affordable Care Act. This unprecedented investment in human capital was born out of the executive committee’s belief that CGG’s employees are its greatest asset and worth investing in.

References:
This report is based on research into the role of the CHRO and the HR function as it exists today in most major global markets. Interestingly, the US has faced more resistance and flux than many other countries. As Peter Cappelli explains, “the main reason HR is more vital [outside the US] is that organisational power goes to the group that deals with the biggest problems... aggressive government regulations of the workplace, strong unions, political support for workers’ interests, and often a real shortage of people who can even be trained for key jobs.”

Sources


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