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Context Matters



BOARD PRACTICE

The 3 Roles of the New CHRO:

Balancing, designing, leading

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The 3 Roles of the New CHRO

Balancing, designing, leading

Complex and fast-paced changes have fundamentally altered the face of business during the past decade. Simultaneous shifts in the environmental, regulatory, sustainability, social and geopolitical dimensions have transformed management and placed exceptional demands on leaders.

If, as a consequence, human and leadership capital are an unprecedented source of competitive advantage for organizations, what could be the implications for the CHRO?

The answer is – at first glance – clear. The CHRO has been propelled center stage to a place pivotal to the success of the company. Chairmen, Boards, CEOs and HR leaders themselves now have a set of expectations seen as critical to enabling growth, facilitating organizational transformation, developing leadership capital. Meeting these expectations creates an overarching imperative: to build a world-class HR function taking account of a diverse set of stakeholders. Demands are at an all-time high. The role has breadth and depth unlike before.

While this offers a great platform for the right HR leaders to step up and re-write the story of the function, not all are ready to assume the leadership demanded of them.

Who are the main stakeholders for the HR Function? The business is only one of several – others are the organization as a distinct entity, the Board and shareholders and the external ecosystem. The CHRO is therefore positioned not uniquely at business level, but at company leadership level. Furthermore, in dealing with the role holistically, the CHRO has to treat stakeholder groups as independent - yet interdependent bodies.

A progressive CHRO will have a clear view on how to approach this.

1

The HR leader who is fully aligned to the strategic dimension of an organization may sometimes be seen as less employee-centric than he or she should be. On the other hand, the CHRO who avoids the boardroom may be dismissed as a micro manager.



Balancing

From Boardroom to Shop Floor, and Beyond

Considering the CHRO as a business strategist rather than as the manager of an operational function in isolation, he or she must assume leadership across three key stakeholder groups:

- 1 **The Board and shareholders** have expectations of building a sustainable organization with the right governance, strategy and risk management systems. HR has to step up to the plate and add the right value..
- 2 **The CEO** expects the facilitation of growth and transformation through appropriate HR initiatives - while keeping the ship stable.
- 3 **The employees** are a distinct entity. As such, they need to be considered both within their direct operating context and at the highest organizational level, where they expect the HR function to reinforce “remember the employees” conversations with senior leaders and the Board. Equally, short and long-term perspectives must be reconciled.

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Balancing all the above considerations is a tough act, therefore, and the challenge needs to be recognized and addressed. Inherent in this observation is the acknowledgement that those responsible for the day-to-day running of a business can and do take shorter-term decisions. Organization-building, however, is a long-term enterprise.

The external ecosystem

As this evolves, CHROs are increasingly playing a leading role with regard to corporate societal responsibility (CSR), involving stakeholders in sustainability dialogues, connecting with the regulatory and risk agenda and engaging in wider conversations surrounding the interests of customers and suppliers, recognizing and promoting the company’s responsibilities as an ethical leader of durable enterprise.



2

The HR function itself has evolved to an extent that it now deserves its own business model: a distinct and empowered structure, capability, team and delivery standards.



Designing

Building an Interconnected HR Function

These wide and somewhat divergent expectations highlight the emerging breadth of the CHRO's role in the current scenario. How can we now translate these into clear priorities for building a world-class HR function, capable of meeting the demands placed upon it?

An HR Business Model

The HR function has evolved to an extent that it now needs its own business model: a distinct and empowered structure, capability, team and delivery standards. Decisions concerning outsourcing, investment and prioritization also sit within this part of the HR role. These amplified role dimensions have made the HR structure more complex. Shared services, business verticals and centers of excellence must all be knit together to deliver on its business goals.

HR Engineering

As chief architect of the HR business model, the new CHRO needs the expertise to deal with each process and element of numerous functions, recognizing their breadth, depth and interconnectedness. Compensation management, for example, seen strategically, is not just about numbers and their link with the structure and performance of individual departments, but impacts business competitiveness, organizational behavior and culture, leadership development, the employee value proposition and overall governance.

If it is to lead, HR needs to have a cutting-edge view on these issues, imbued with profound organizational insight. Similarly, strategic recruitment embraces many dimensions - understanding the motivations, profiles and sources of top talent, articulating the employee value proposition, enabling the appropriate assessment philosophies and mechanisms and having knowledge of external talent benchmarks.

CEOs and Boards expect the CHRO to bring exactly this value to the table. However, many HR practitioners, despite their best efforts and intentions, remain process managers rather than true leaders exercising expertise, depth and vision.



Not all CEOs expect the CHRO to have a wide scope. Is it time for a paradigm shift?

Operations and Delivery

However stimulating the thought leadership part of the CHRO's role may be, operational excellence remains the first and core expectation of those who evaluate his or her performance. In our experience, truly outstanding CHROs have a sharp focus on this dimension and have demonstrated continuous improvement within it. Administrative and management skills remain key for the CHRO to be able to set the agenda and control outcomes. Furthermore, increased cost pressures have placed additional demands on the efficiency of HR models in terms of their ability to increase productivity and deliver essential HR services.

Reputation and Credibility

This aspect of the CHRO function cuts across the roles we have defined and includes custodianship of the employer brand, enhancing the reputation of the company through exercising thought leadership in external forums and being sufficiently connected with external aspects to understand both usual and unusual business and talent benchmarks. Gone are the days when the HR role was internally-confined..

If not all HR leaders embrace these enhanced dimensions of their role, not all are asked to perform accordingly – the perception and practice of the CHRO mission is highly dependent upon the complexity of the organization and its business. Not all CEOs expect the CHRO to have such a wide scope. Is it time for a paradigm shift?



3

CEOs increasingly expect the CHRO to take full leadership for upgrading talent and its skill sets, anticipating and solving related problems.



Leading

Development, Advice and Governance

Amongst the challenges posed by the evolution of the CHRO's role, we find new conditions to facilitate leadership excellence as a whole. Talent and leadership development tops the list, along with clear-eyed advisorship to CEOs and other senior leaders. This is followed by responsibilities towards the Board and shareholders.

Talent and Leadership Developer

CEOs increasingly expect the CHRO to fully grasp the reins of upgrading talent and skill sets, anticipating and solving related problems. The CHRO needs to realistically assess the current situation with a keen eye for talent – the A, B and C players - grappling with the talent dynamics which come into play in leading any change. The recruitment and development of the right people, able to add the right value to business growth, now and in the future, form a critical part of the CHRO's responsibility.

Positioning the right talent to funnel business growth is also critical. As such, the CHRO role is extending to managing the transformation ignited by the leadership and integration of mergers and acquisitions, as well as fundamental changes to the business model. Here, CEOs increasingly recognize the catalytic role of talent and this has resounding implications for the CHRO expected to foster it. Rightly so, since M&A initiatives alone are notorious for their failure rates, recorded at between 70%-90%¹ and attributed in many cases to a poor assimilation of social, cultural and psychological issues².

And yet. Whether in their own eyes, in the eyes of others, or in reality, many HR leaders remain trapped by the operational aspects of talent development, implementing in isolation. Despite their best intentions, they risk being typecast as 'Tool Box' managers unable to step up to the new demands of the role. This 'set up to fail' syndrome can apply as much to the HR function as to the employees it represents.³

¹ E.M Christensen, R. Alton, C. Rising and A. Waldeck, the Harvard Business Review, (2011)

² G. Stahl, A. Voigt, INSEAD Working Paper Series, (2003)

³ J.F. Manzoni and J.L. Barsoux, Harvard Business Review, (1998)



Senior Leadership Advisor

Top leadership team dynamics and challenges are a hotbed of potential conflict and the interdependencies and contradictions of members must be understood and managed. The CHRO can play an important role in identifying, exposing and resolving these. This implies that CHROs themselves need to be mature leaders, equipped with a high EQ and a transparent and apolitical style that allows insights on the business, its details, inner workings, history, levers and blockages, many of which may be invisible to the naked eye. Armed with this combination of cognitive and behavioral skills, the CHRO can prove a valuable channel – one who facilitates leadership dynamics and is able to have productive conversations with senior business leaders.

Handling the CEO as a boss and acting as a compassionate yet uncompromising sounding board are two opposite imperatives creating a unique dynamic. The CHRO needs courage and sound judgment to deal with this most complex of roles. An ability to provide tough yet tactful feedback to the CEO, holding that all-important looking glass up to the CEO and other senior leaders to help them see the impact of their decisions and actions – these are key requirements. To fulfill them, the CHRO needs a strong sense of the organizational climate, concerns for the needs of the workforce, highly-evolved communication skills and an equally healthy self-belief that he or she can perform as required.

CHROs who exercise low self-regulation, who have difficulty remaining objective (or apolitical), who are to win the confidence of their colleagues, risk being seen as 'not in this league.' It is therefore crucial for a CHRO to spend time with senior peers and CEOs, to be honest about his or her areas for self development and to seek the necessary mentoring and coaching in order to develop to the level required.

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Board and Shareholder Supporter

Supporting governance and risk management is becoming an integral part of the CHRO's role. Enabling the review of CEO performance, engaging succession planning to de-risk the company from problematic leadership issues, informing decisions about executive compensation – these are all challenges that demand in-depth understanding and far-sightedness. Increasingly, CHROs are being asked to present to Boards and have visibility on matters that may be outside the direct purview of the CEO. To fulfill such expectations, the Board and shareholders expect the CHRO to exercise objectivity and independence. Gearing up can be both dramatic and difficult and requires constant tightrope walking. How many will be able to stand next to the CEO and work hand-in-hand with the Board and shareholders? It is no easy balancing act!

HR - a Talent Garden for High Potentials

Today's CHRO has his or her hands full dealing with the plethora of challenges described. Yet, some of the best brains in the discipline may be blocked if the overall function is not delivering, or is still anchored in traditional practice.

This leads us to a final call. Talent within the HR function itself deserves to be treated as seriously as that of any other strategic function, assessed, upgraded and coached and the internal HR culture consciously and continually nurtured. The career plans of HR high potentials deserve high priority in transforming the HR function into a prestigious and flourishing garden for top people.

Management Message

Building their own house, understanding the main levers to equip their function for future challenges and expectations, setting performance metrics, identifying and managing blockages – all make for an effective HR leader. CHROs must have their own vision for their function and work proactively to build capability, infrastructure and monitoring mechanisms. Technology deployment and decision-making backed on both data and true insight will create strong CHROs.

It is time for the CHRO to assume full ownership of his or her mandate - to continually raise the bar. The platform for a strong leadership role – one with profound organizational impact - has been created. The right leaders will step up to it.

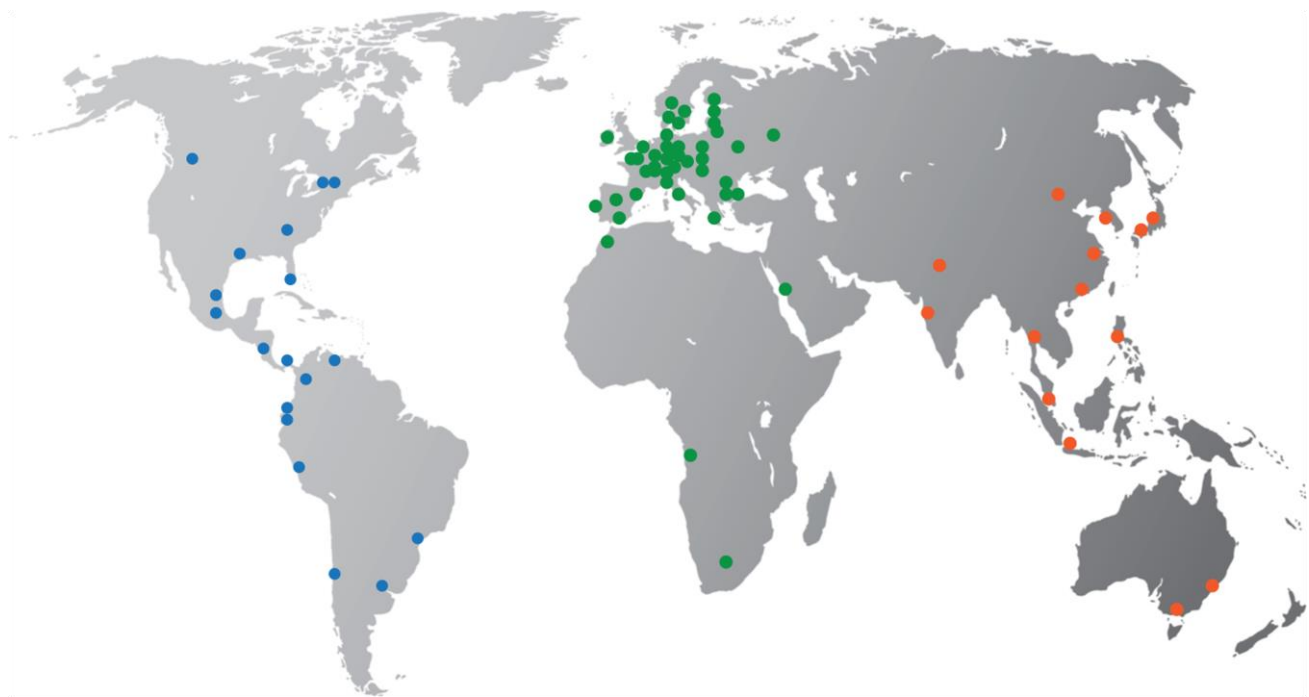
The career plans of HR talent need high priority in building the function as a prestigious garden of top talent.

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About Amrop

With 84 offices in 56 countries, Amrop provides services in Executive Search, Leadership Assessment and Board Consulting. It is the largest partnership of its kind.

Amrop works with existing Boards as well as helping start-up organizations ensure that their Boards of Directors are appropriate to the aims and core business of the company and compliant with Governance rules and regulations.



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