



# THE CHIEF HUMAN RESOURCES OFFICER

An Underutilized Resource  
for Corporate Boards



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## The Premise

**We firmly believe** that Chief Human Resources Officers (CHROs) represent an untapped resource regarding corporate governance, which could add significant effectiveness to many corporate Boards.

This view is based on our more than 50 years of combined experience partnering with both public and private organizations in all aspects of Board development, as well as our deep knowledge and experience in all aspects of Human Resources, including the role of the Chief Human Resources Officer. In our opinion, the strongest CHROs, both currently active and those recently retired, by virtue of their strategic view of inter-related issues across the breadth of the enterprise and their deep knowledge and understanding of all aspects of talent would add substantially to the dialogue at the Board level. Outstanding CHROs understand all aspects of how companies work and interact, while often being a key, guiding hand when major transformations are taking place involving all manner of change from significant acquisitions to layoffs. They understand the implications of cultural change and how to keep the company on track to a desired outcome.

This said, superior Human Resources skills alone are not nearly enough to make for a strong Board candidate, while at the same time, not all companies' challenges and priorities would indicate that a CHRO would be the best choice as the next Board member appointed. In addition, there remains a perception among many CEOs and Boards that Human Resources, in general, is not as strong a function as other C-suite roles. There continues to be a lingering widespread view that the "standard" CHRO is simply not strong enough to be considered a strategic contributor, let alone a member of a Board of Directors.

With the above in mind, we noted the significant percentage of CHROs who held or have held Board seats are also Fellows of the National Academy of Human Resources (NAHR). We wondered what was it about these Fellows that got them identified as a candidate and appointed to Board roles, why did the companies select them, and what made them effective Board members?

We were delighted to partner with the NAHR to see what we could learn from this very impressive group of Fellows. Our thanks to Dick Antoine, Jill Smart, and the Board of NAHR for their support in this effort.

We look forward to sharing what we learned.

**Jeff Hodge and Bob Lambert**



## Our Approach

We met in person or by telephone with 26 Fellows of the National Academy of Human Resources (NAHR) who have Board experience along with 10 Fellows who are currently seeking Board roles. In addition to the NAHR Fellows, we spoke to 15 non-CHROs, including Board Chairs, Nominations and Governance Committee Chairs, and other independent directors who have interacted directly with the CHROs on their Boards.

In addition to the above, we have incorporated our personal observations gained by several decades of Board recruiting experience, CHRO recruiting experience, and in Bob Lambert's case, personal experience having served as a CHRO with four very different organizations, both public and private.

The interviews were quite conversational in approach, which provided an interesting, and at times, provocative range and depth of answers and were guided by questions aimed at answering the following:

- 1. When and why have Boards considered CHROs?**
- 2. What made CHRO candidates attractive and how were CHRO candidates identified?**
- 3. How do we build the business case for more CHRO Directors?**
- 4. How do we get the word out that many CHROs are ready and more than able to serve on Boards?**
- 5. How should more CHROs get ready for opportunities for Board roles?**

We view this as an ongoing study and look forward to adding to the discussion on a regular basis as more ideas are raised on this important topic.

# III

## Initial Observations and Conclusions

### 1. When and Why Have Boards Considered CHROs?

The dominant response to this question was that the companies who selected a CHRO for their Board were often going through significant transformation. A key implication, both stated and implied, was that the CHRO was well positioned to assess the risk implications of cultural change as well as to weigh in on the best approaches to effect lasting, positive cultural change. These transformations took many forms, but those most often noted were as follows:

- **Spin-offs from larger entities where the Board recognized the strategic importance of talent and the ability to align strategy, people, and execution. Often these spin-offs had significant labor or other talent specific issues.**
- **Companies emerging from bankruptcy that had not focused on “people issues” and in need of major restructuring or where the bankruptcy judge/creditor committee wanted an HR executive on the Board.**
- **Companies facing significant economic, legal, or other challenges in need of significant organizational change.**
- **An acquisition of significant size resulting in critical organizational change challenges, including cultural integration considerations.**
- **Companies evolving from private entities to public entities.**
- **Family/closely held companies needing a Board member attuned to cultural implications.**



We also noted that those companies that had a sophisticated approach to identifying the types of Board members that would be added in the future, including the development of defined skill sets required for future governance matters along with an annual review of Board composition, were more likely to consider a CHRO. This was particularly evident where the following were significant considerations for the Board:

- **Succession planning and talent management**
- **Executive compensation**
- **Complex labor relations challenges**
- **Diversity concerns**

Several instances were noted where companies that sold HR-oriented products or services were very interested in having a CHRO as a Board member or Advisory Board member. Both product design input and “door opening” were referenced as key attributes for the CHRO Director.

Finally, but of note, is that those companies where the Board or CEO had prior experience with having a CHRO on the Board were very inclined to add new CHROs when current CHRO Board members retired or to add CHROs to new Boards that they were appointed to.



## **2. What Made CHRO Candidates Attractive and How Were CHRO Candidates Identified?**

A recurring theme in the discussions we had needs to be highlighted early and often, as it has significant implications for both Boards considering CHROs and CHROs who seek Board roles. Specifically, CHROs for the most part do not get on Boards based on their HR skills alone. Over and over we heard that it is the combination of HR skills and “exceptional business mindedness” that made someone a strong candidate. Strategic Human Resources capabilities, including executive compensation, are expected skills in any CHRO. CHRO Board members contribute with a unique lens but must have significant breadth beyond HR to be effective in Board roles.

Given that Boards have most often considered CHROs when there is significant change at their companies, it is not surprising that the people we interviewed often referenced large-scale organizational change and transformation experience as having been very important in their candidate selections. Some examples included experience with:

- **Building new management teams, including significant succession management experience**
- **Going to multi-channel/digital distribution or other challenging business structure changes**
- **Changing market forces in regulated industries**
- **Implementing significant technology change**
- **Integrating major acquisitions**
- **Managing complex labor issues**
- **Demanding executive compensation matters, including implementing major overhauls to executive compensation plans or integrating compensation plans after acquisitions**
- **Coaching a new CEO**

Understandably, Board members often commented that the CHRO candidate was not perceived as a “typical” CHRO. They had much more business breadth than the Boards expected. Specific references were made to including the CHRO Director in IPO roadshows, being candidates to chair the Board, and ultimately, being people who are candid, curious, and creative. They do not hold back and they are willing to “call it as they see it” in a very effective way.



A related point was the CHROs appointed to Boards were often given strong consideration because they had other, non-HR experiences. Some had sales/marketing experience, others had government relations experience, and a few had P&L responsibility, which was often deemed as highly positive.

Approximately 75% of the CHROs on Boards obtained their seats when their networks overlapped with a Board search process conducted directly by a Board. Executive search firms identified the remainder, with the majority of those candidates being diverse.

In any case, there were variations on a theme as expressed by one Board member that “preparedness met opportunity.” There was quite a variety of contact points cited with some of the most frequent quotes are as follows:

- “My general management job got me additional visibility.”
- “I was recommended by a former CFO colleague.”
- “I was recommended by an academic colleague.”
- “I was recommended by a current Board member of my company.”
- “I was coaching the CEO.”
- “I began as an Advisory Board member.”
- “I got noticed in my role as a Business School Advisory Board member.”
- “I met someone at a women’s executive conference.”
- “I knew the family that controlled the company.”
- “In the course of a Board interview, I met a Board member who steered me to one of his other Boards.”
- “I was speaking at a conference on Total Rewards and got noticed by a company with an HR product.”
- “I was seen in action in a significant nonprofit or industry association Board role.”
- “I was recommended by a CHRO who did not have capacity.”
- “I was recommended by a colleague (non-CHRO) who did not have the capacity.”

In every case, Boards that selected CHROs mentioned that they were extremely pleased with the contributions that the new Directors had made, and in virtually every case, they also commented that the contribution was well beyond the expectations—and well beyond Human Resources matters.



### **3. How Do We Build the Business Case for More CHRO Directors?**

The paragraphs below are key components of the business case for more CHROs directors.

You can look at almost any organization and there are generally only three people who have the “helicopter” panoramic view of the entire corporation: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), and the Chief Human Resources Officer (CHRO). The CFO allocates and manages financial capital, and the CHRO manages human capital across the whole portfolio of business segments and functions. Accordingly, they are well positioned to understand how the levers work and the impact of decisions—a skill which is very relevant to a Board role.

The CHRO has experience providing service across the full spectrum of the management team and can take a holistic view. The best CHROs operate as stewards of the business, proceeding to collaborative solutions with credibility and discretion. They are exceptional listeners and experts at working horizontally across the enterprise.

CHROs also rarely have direct line authority over the business so they have learned to lead and manage through influence—seeing things from the other person’s perspective.

CHROs also understand the delicate balance between governing and managing. They provide a balanced view on business issues and talent and have the ability to meet people where they are, deliver advice or a difficult message in a way that will be heard, and give people the incentive and opportunity to “own it” and drive it forward.

One of the individuals interviewed suggested that,

**“HR equips a person to play the Board role because throughout a corporate career you are not a line manager. You do not necessarily have direct authority, so you have to earn your influence and pull people together and convince them. Those are the kind of skills that you need to have when you pull a diverse Board together. You help them with a direction, influence management and get on with it.”**



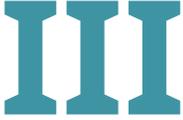
From private equity-backed portfolio companies to those listed on the *Fortune 500*, investors and CEOs consistently point to the quality of their talent as the key driver of their success or conversely the biggest obstacle to growth that they face. This is particularly evident in organizations facing major change and was cited by many Board members as a consideration regarding the backgrounds they sought in bringing on new Directors.

The executive with the most direct responsibility for talent and talent strategy, along with a front row seat when change is significant, is the CHRO.

In our conversations with Board members, CHRO Board members were singled out for many contributions, including the following:

- “The CHRO Board member, having participated in several CEO searches and transitions in his career, was extremely effective in helping the Board lead a critical CEO search.”
- “It is very hard to talk about CEO succession when it is not front a center. CHROs are very good at getting the dialogue on the table without it being threatening.”
- “A CHRO is uniquely positioned to evaluate the CEO beyond the mechanics of the numbers. They can add significant range to the overall evaluation. For example, a CHRO will weigh in as to whether the CEO is converting talent strategy into action and comment on the overall team effectiveness level.”
- “The CHRO is a strong asset when it comes to succession planning for the C-suite and their teams. In several cases, the CHRO Board member provides leadership for Board retreats focused on talent.”

In summary, a CHRO Board member is uniquely positioned to contribute to the discussion at the Board level regarding key talent risks and opportunities. Given the talent imperative across all industries, it is not surprising that, as one Board Chair put it, “Having a CHRO on the Board is a strategic advantage for the company.”



#### **4. How Do We Get the Word Out that Many CHROs Are Ready and More Than Able to Serve on Boards?**

In order to increase the numbers (and quality) of CHROs on Boards, CEOs and Boards need to better understand the value CHROs bring. This will be no small task. We are going up against deeply held beliefs and decades of perceptions. This should not be just about getting CHROs on Boards but also about getting the best CHROs on the right Boards.

Painfully true, but many CEOs and Boards today still have not experienced truly great HR. We see this every day in our CHRO search practice. The evidence is overwhelming. However—and here is a bit of good news—it is getting better, slowly.

Through the efforts of organizations like NAHR, the HR Policy Association, The Society for Human Resources Management (SHRM), and others, the bar must be—and can be—raised.

**CEOs find Boards need to better understand the value CHROs bring. This will be no small task.**



As the HR function transforms and demands more of itself, thereby producing more Board-ready CHROs, it is time to get the word out that many are ready to serve. Some possible approaches are as follows:

### **For CEOs and Boards:**

Identify CEO/Board forums where the CHRO/Director topic can be discussed:

- National Association of Corporate Directors (NACD), national and local chapters
- G100
- Association for Corporate Growth (ACG)
- The Forum for Corporate Directors (FCD)
- The Conference Board

Identify opportunities to be quoted in national publications:

- *Wall Street Journal (WSJ)*
- *Fortune*
- *New York Times*
- *Business Week*
- *Forbes*

Identify and publish articles in academic and governance press:

- *Harvard Business Review (HBR)*
- *Sloan Management Review*
- NACD
- Academic Human Resources journals (e.g., *The Human Resources Management Journal*)
- *HR Executive* magazine
- *Workforce* magazine

### **For NAHR Fellows and other CHROs:**

- Conduct regional panels of CHROs on Boards along with other non-CHRO Board members discussing the CHRO Board member resource
- Include executive search professionals who work in the field and other governance consultants in the regional panels and audiences



## 5. How Can More CHROs Get Ready for Board Roles?

The key to getting ready for a Board role will be for the potential CHRO candidate to show that they are deeply involved in and fully understand the business they are in, and when the time comes, be articulate about the challenges the company faces when they are interviewed by a potential Board. The CHRO will need to demonstrate their business acumen through an explanation of their company's business model and through the questions they address to the interview panel.

The most frequently cited skill set that CHROs on Boards wish they had more of going in was financial acumen. Fundamentally, the CHRO Board member will need to understand the company's financials, how the business makes money, and the key business and financial drivers. In a Board role, you need to understand the deliberations of all business and financial discussions, including the Audit Committee even if the CHRO Board member is not on that committee. The CHRO Board member will be heavily involved in weighing in and voting on acquisitions and divestitures and other major financial decisions, and there will be myriad banking and legal considerations with financial ramifications. The more financial skills that a candidate can develop, the better.

Experienced CHROs on Boards also commented that a key for them had been their heavy involvement with Boards at their own companies. Comments referenced the following as suggestions for preparing to be on a Board:

- “Work closely with the Board on strategic talent management as well as succession and workforce planning.”
- “Get involved in Board recruiting.”
- “Stay involved with the Board in CEO recruiting.”
- “Lead executive compensation with the Board Compensation Committee (self-assess—if not a strong suit, make it one).”
- “Be a sounding board for the CEO's presentations to the Board.”
- “Contribute the full Board and Board committees on topics and perspectives beyond those related to HR functions.”



As noted earlier, many successful CHRO Board candidates stood out from the crowd by having had significant non-HR responsibilities. If possible, add to your resume a non-HR role. Examples and suggestions included the following:

- Several had marketing, branding, or corporate affairs experience.
- Several had run the pension investment portfolio. One CHRO got extra support by having an over-funded plan.
- A future CEO of a company (heir apparent) was asked to move from an operating role to be CHRO (for the last seven years).
- Six CHRO Board members had P&L experience, including a \$3B division.
- One CHRO did a rotation through finance.
- One CHRO ran manufacturing.
- Several pointed to volunteering to lead global initiatives as having been extremely helpful.
- Frequent comments suggested, “Apply for big challenges in your career.”
- One CHRO offered up that in hindsight he would have stepped up to lead more acquisitions.

Other steps that CHRO Board candidates can take include the following:

- Get Board experience at your own company by appointment to a joint venture Board.
- Make sure you are working for a CEO who values HR.
- Network with the search firms, making sure they are aware of your interest.
- Cultivate your relationships within your industry; subject to potential conflicts, it is easier to get appointed to environments where you have relevant experience.
- Get exposure to private equity firms.
- Prepare your resume throughout your career (it will be difficult to remember all your roles and dates years later) and make sure there are no surprises on social media.
- Join and lead nonprofit Boards.

Finally, one very experienced, multi-Boarded CHRO said, “Don’t wait until you retire to get ready!”

# IV

## Contributors

### **Allegis Partners**

Allegis Partners is the global executive search firm that delivers a boutique, high-touch approach to talent management. We focus on identifying diverse, top talent for board, C-suite and senior executive-level roles across a wide range of corporate functions and industries. We then move beyond the search experience, advising our clients on market mapping, succession planning and market and compensation intelligence. Our consultants are highly knowledgeable and skilled professionals with strong networks that provide them access to top talent around the world. Allegis Partners is committed to understanding our client and, in turn, customizes each search to meet the needs of the client and specific position. We're backed by the extensive resources and knowledge of the Allegis Group, a \$10+ billion privately held global human capital organization.

### **Hodge Partners**

Founded in 2003, Hodge Partners is a network of highly experienced executive search and board search consultants who are committed to finding the very best people who will be successful within the context of a client's opportunity.

## **National Academy of Human Resources**

The National Academy of Human Resources (NAHR), founded in 1992, is an organization where individuals and institutions of distinction in Human Resources are recognized for professional achievement and where, through a collaborative effort, the work of the profession is advanced.

Academy Fellows work to enhance the Human Resources profession in several ways including honoring, through election as “Fellow of the NAHR,” those individuals who have distinguished themselves through their leadership in the broad field of Human Resources. Fellows come from many life experiences and all aspects of contemporary and intellectual professional thought and activity in Human Resources. Election as a Fellow of the NAHR is by vote of the membership and is the highest honor granted in the Human Resources profession.

Since the Academy’s founding, 164 individuals have been elected Fellows of the NAHR. Occasionally, NAHR members elect “Distinguished Fellows” and “Honored Organizations,” recognizing individuals and organizations for their special contributions to Human Resources. There are 13 Distinguished Fellows and 12 Honored Organizations.

## **National Academy of Human Resources Foundation**

The National Academy of Human Resources Foundation was established to further contribute to Human Resources by conducting outreach programs to the profession through a program of various projects and studies that reflect the interest of its members and is responsive to the needs of the Human Resources profession, business, government, and society.

The NAHR Foundation accomplishes its objective by developing and supporting unique programs and studies that enhance the Human Resources profession in ways that reflect the special nature of the Academy by utilizing the immense individual and collective wisdom of the Fellows, both active and retired. Through its various programs and initiatives, the NAHR Foundation strives to develop in students and other qualified individuals interest in the Human Resources profession as a career.

# IV

## Robert Lambert

Robert Lambert serves as a Managing Director with Allegis Partners, based in the firm's Orange County, California office. Bob provides his clients with a unique and compelling perspective, having built, led and advised world-class leadership teams as both a senior operating executive and as a management consultant.

As a senior advisor to Boards, CEOs and executive management teams, Bob has led hundreds of leadership engagements in multiple industries and with companies of all sizes. Clients consistently recognize his contributions for enhancing their ability to effectively solve highly complex people strategy and organizational problems with immediate, bottom-line impact.

Prior to joining Allegis Partners, Bob served as Senior Partner with Morgan Samuels, a Los Angeles-based retained search firm where he established and led their Global Consumer and Human Resources Practices. Prior to Morgan Samuels, Bob served as founder and Managing Partner of Lambert Consulting Partners Inc., (LCP), a human capital strategy consulting firm. Launched in 2003, LCP served clients in the areas of talent strategy development, leadership team alignment, organization effectiveness, performance management, and executive compensation.

Prior to starting LCP, Bob served as West Coast Managing Partner for CTPartners, a global executive search firm where he developed and led the firm's Consumer and Human Resources practices. Bob began his executive search career with Heidrick & Struggles International as a Partner in their global consumer and retail practice groups.

Prior to entering the consulting profession, Bob had a distinguished career in the Consumer Package Goods and Retail industries beginning with PepsiCo, where he held several senior HR leadership positions. Following PepsiCo, he served as the Chief Human Resources Officer for The Stride Rite Corporation and as Executive Vice President of Human Resources and Store Operations for Broadway Stores, now Macy's.

Prior to entering business, Bob proudly served as an officer in the U.S. Navy flying the carrier-based A6E "Intruder" aircraft in forward-deployed operations as well as research, flight test and development. He earned a Master of Arts in Finance from Webster University and a Bachelor of Science in Environmental Science and Geography from Arizona State University.

**Bob can be reached at [rlambert@allegis-partners.com](mailto:rlambert@allegis-partners.com) or (949) 280-8800.**

## Jeff Hodge

Jeff Hodge is the Chairman and Chief Executive Officer of Hodge Partners, and is focused on the identification and recruitment of board directors and senior management.

He provides counsel relative to board composition as they evaluate the range and depth of skill sets needed around the table to effectively govern and constructively engage with management given the strategic imperatives and risks of their companies. Jeff has been active in board recruitment for over 30 years.

Jeff also consults with those companies who view board roles as an executive development tool and unique benefit for their key high potential talent. The goal is to find ways to accelerate board opportunities for succession candidates.

For both board and executive search assignments, Jeff believes in identifying the widest range of talent for his clients. Accordingly, his placement rate for diverse candidates is 47 %, which is among the highest in the industry.

Jeff has successfully conducted over 500 consulting assignments for several hundred clients, in almost every industry sector. His clients have ranged from Fortune 50 corporations to startup businesses.

In addition to leading his own firm, he has had key leadership roles with both large multinational firms (Heidrick, Managing Partner-North America West and SpencerStuart, Managing Partner-West Coast) and prominent regional boutiques (Morgan Samuels and Diversified Search).

Jeff is a Founding Director of the National Association of Corporate Directors (NACD), Northern California Chapter. He also served as a Board Member of the Association of Executive Search Consultants. He is currently an Advisory Board Member of Oration, a leader in healthcare cost transparency and Grisham & Cruz, a firm focused on diversity recruiting within the healthcare and technology sectors.

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