

Becoming a World-Class CHRO: A Practitioner-Defined, CEO-Validated Model

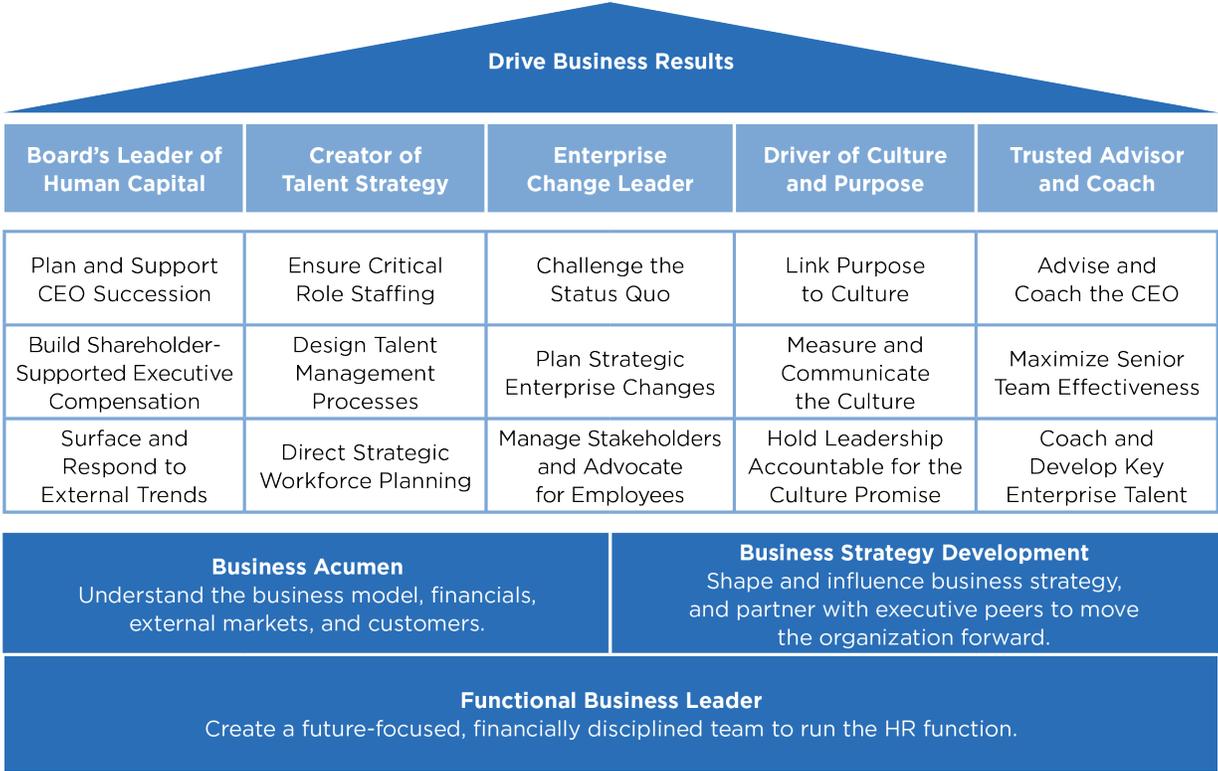


Abstract

The Model of a World-Class CHRO establishes a global standard for excellence in chief human resources officers (CHROs). At the foundation of this Model are functional business leadership, business acumen and business strategy development. The five core roles of a CHRO are then built upon this foundation: Board’s Leader of Human Capital Agenda, Creator of Talent Strategy, Enterprise Change Leader, Driver of Culture and Purpose and Trusted Advisor and Coach. The model is aspirational, defining what its authors see as the high-water mark of how the CHRO role is

performed by leading practitioners today and into the foreseeable future. The Model is applicable across industries, geographic regions and business cycles. The authors envision this “open source” Model serving as inspiration for the development of resources to help incumbent CHROs improve performance, aspiring CHROs develop more thoughtfully and rapidly, and to help CEOs and corporate boards hold the CHRO to a high standard commensurate with the evolving expectations of this critical role.

Model of a World-Class CHRO



Research Methodology

The model was developed by members of the CHRO Global Leadership Board (CGLB), with support from a research team at CEB, now Gartner. Using a “red team/blue team” approach, the model evolved through a series of discussions and debates with members of the CGLB. It was tested and validated in extensive interviews with current and former CEOs representing large-cap companies from across industries. The model is practitioner-defined and based on the experience of heads of HR serving on the CHRO Global Leadership Board. A preview version was presented for feedback at the ReimagineHR Conference in Washington, D.C. in October 2017. In the period of time between its initial “beta” stage in October 2017 and its publication, it has undergone additional refinement, based largely upon the input of CEOs. This Model is designated “1.0,” acknowledging the importance of continuous study and adjustment of this dynamic role.

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Health Care Service Corporation

Carol Surface
Medtronic, Inc.

Introduction

About the CHRO Global Leadership Board

The CHRO Global Leadership Board is composed of more than 20 chief human resources officers from many of the world’s leading companies with expertise in HR, talent management and executive leadership. The purpose of the Board is to lead a collaborative effort among the most distinguished and trusted global CHROs, offering the entire HR community valuable business guidance. This movement is based on the core belief that peer-to-peer, cross-industry collaboration is key to optimizing individual and organizational success.

The Board’s work is in three areas: Defining a world-class CHRO, developing the workforce of the future and enabling business growth. This white paper addresses the first workstream by sharing the global standard for a world-class CHRO, with an eye toward how great heads of HR perform their roles and how successors to the CHRO role are developed. The latter workstreams aim to ensure that CEOs and boards understand how to manage disruptive business and labor market trends, and how to harness the power of analytics and processes by embedding talent data and culture insights into the everyday business decisions of leaders.

More information on the Board can be found at <https://www.cebglobal.com/human-resources/chro-global-leadership-board.html>

A New Framework for a New CHRO

Why should heads of HR be evaluating their own roles now? The CHRO role is changing, and heads of HR must perform their roles differently. Sixty percent of CEOs are rethinking the HR function, which presents a challenge to any CHRO's established way of working, but also provides an opportunity for CHROs to redefine their value to the enterprise¹. In addition, 71% of CHROs are spending more time on business issues outside the HR function², and CEOs want their HR leaders to be "broad-gauge business executives," leaders who can add value in any part of the enterprise. As HR plays an ever-more-critical role in the success of organizations, those organizations can't risk missing opportunities to create value by underestimating the breadth of roles that their heads of HR can play.

"I expect my head of HR to be a broad-gauge business executive; to not only lead from HR but to speak up on business strategy issues across the enterprise"

CEO
Financial Services Industry

CEOs have a need and a right to expect their top HR executives to drive business objectives. But current expectations of CHROs vary widely across organizations and among business leaders. Boards of directors are expecting more from CHROs than ever before as expectations transcend historical areas of focus on succession and executive compensation. Even within the HR function, a CHRO's direct reports aren't always certain of how the head of HR spends his or her time. A model for great HR executives creates visibility into all of the components that comprise the role, and establishing a standard baseline for excellence will enable CHROs to innovate more quickly in the role.

It is also apparent that those aspiring to become CHROs would benefit from a defined path to the role and guidance to get them started. There is room for improvement, as only 8% of HR functions are adequately assessing leadership needs, last among all corporate functions³. Addressing these challenges will go a long way toward closing gaps in future career and development opportunities, which drive attrition within the function⁴.

The role of the CHRO is notoriously difficult to prepare for because there are no analogous roles within the HR hierarchy from which promising HR leaders can draw all the requisite experiences. Only upon entering the role do new CHROs discover they face far greater expectations and more varied duties than any other senior HR leader. Faced with this realization, it can be tempting to focus on only solving the most pressing needs. A model for excellence enables CHROs to take stock of their priorities and develop a plan that will guide them to success in the role.

The model presented here is not the first attempt to set a standard for world-class CHROs. However, the CHRO Global Leadership Board recognizes that such advice has been lacking. Previous models of the CHRO have been aspirational and drawn on theory, but with little practical guidance to aid heads of HR in translating aspirations into action. Moreover, descriptions of the role have never been truly global to address the needs of all CHROs. They are replete with anecdotal evidence and guidance for unique situations, but are not sufficiently comprehensive to accommodate the diversity of experiences that make up a CHRO's career. The amount of advice for CHROs that exists now in so many models, journal articles and books is overwhelming for today's time-strapped executive. Finally, the HR community has a tendency to mainly talk to itself, engaging with talent experts and HR professionals, rather than involving voices from outside the field. The CHRO models and competency frameworks that emerge from this "HR echo chamber" miss out on the perspectives of the stakeholders with whom a CHRO will partner the most: CEOs, boards and other business leaders.

The time is now for a new model that re-evaluates the key roles played by the CHRO. Changing investor expectations, expanding and diversifying workforces and automation all present new challenges for today's CHRO. Almost every CHRO expects competition for critical talent to increase, and they are experimenting with their own staff to change how they deliver HR services to their organizations. Existing channels and sources of advice do not adequately address the challenges they face today, nor those they will face tomorrow.

How This Model Is Different

The Model of a World-Class CHRO from the CHRO Global Leadership Board seeks to address these concerns. This model recognizes functional business leadership, business acumen and business strategy development as the starting points of a world-class HR leader, and lays out five core roles, or pillars, that are comprehensive but flexible, on top of that foundation. Each component of the model is aimed at the primary goal: Driving business results.

First and foremost, this model is action-oriented, with curated guidance from CHROs representing the world's leading organizations. It includes the skills that a head of HR will need to succeed and covers the most important moments that can make a CHRO's career. Second, this model has global applicability, having been tested by CHROs at organizations headquartered across countries to ensure it is flexible enough to adapt to business, industry or regional variations, while still being rigid enough to be meaningful. Finally, this model escapes the "HR echo chamber" by being validated directly with CEOs. Interviews with CEOs have provided a level of certainty that this model aligns to the value CEOs envision their CHROs providing. The model strives to use the language of CEOs, the language of the business, to achieve recognition from all business leaders and avoid HR jargon.

How to Use This Model

The Model of a World-Class CHRO is intentionally aspirational and represents the best demonstrated qualities of HR leaders. The CHRO Global Leadership Board recognizes that HR leaders may find it difficult to simultaneously excel at every component of the model. To navigate this challenge, we encourage CHROs to sit down and discuss with their CEOs how they should prioritize the five core roles at the center of the model, based on the CEO's priorities and the strategic position and direction of the business. The key point is that leading CHROs never ignore any of these roles, even if they disproportionately prioritize one or two in a given year.

The Model of a World-Class CHRO

A. The Foundation

Functional Business Leader

Running a credible, capable and fiscally responsible HR function is table stakes and the bedrock upon which a CHRO builds his or her credibility. But most CEOs and business leaders think a CHRO plays this role on "nights and weekends," rather than as his or her primary job. Running a corporate function while simultaneously tending to the needs of the board, the CEO and peers on the executive leadership team requires a great supporting HR organization. After all, few CEOs are looking for a replacement head of HR because they want a better functional leader. The CFO role is a useful analogy: Great CFOs count on their finance function to capably manage critical, highly technical functions such as controllership, treasury, tax, etc. Great CHROs must ensure they have high-performing HR leaders who capably manage talent acquisition, executive compensation and leadership development, to name just a few. Although it is logical for any career HR expert to be passionate about nurturing talent through carefully crafted processes, great CHROs recognize that leading the function requires selecting and motivating an excellent HR team to deliver business value, enabling them to use data and technology to efficiently manage HR systems and processes and drive the future of the function.

Business Acumen

The core of the model rests on business leadership. For today's CHRO to be successful, business acumen — an understanding of the business model, financials, markets and customers — is never optional. HR leaders must understand how the business operates, how it delivers value to its ownership and how it upholds the promise of its brand and reputation to stakeholders ranging from customers to business partners to its own employees. It is incumbent upon CHROs to develop business acumen for themselves and to do it quickly to be included in critical conversations.

Business Strategy Development

Superior HR leaders go beyond integrating HR and business strategy — already a challenge — to also shaping, influencing and creating the business strategy itself. One need look no further than the headlines on any business publication today to see the confluence of business strategy with culture. These headlines suggest, and in all likelihood demand, that CHROs provide a greater measure of leadership to CEOs, as they face much harsher scrutiny when cultures fall short. Heads of HR recognize that the highest compliment they can be paid is to be viewed as a business executive who happens to be an HR expert, rather than an HR expert who is trying to support the business.

“Great CHROs speak out on any business issue. Anything that rises to the executive leadership team is fair game.”

**Former CEO
Technology Industry**

“HR leaders need to continually focus on the vital few roles that match that particular moment of the company. HR efforts should be highly situational within a long-term view.”

**CEO
Agriculture Industry**

B. The Roles

At the center of the model are the five roles played by a CHRO. The roles are designed to be coequal, and should be weighted and reordered based on the CEO's priorities and the strategic position and direction of the business. In fact, the ability to weight and prioritize these pillars, or the components within the pillars, is a marked advantage of the model. But none of the roles can be neglected completely, and a CHRO should ensure that pillars that have been deprioritized are still covered by a strong member of the HR team. Today, fewer than 40% of CHROs are playing most of these roles, and there is tremendous opportunity for heads of HR to stretch into more of the roles defining a world-class CHRO⁵.

Within each role are three activities that satisfy the role. These components are the most typical aspects of the role, rather than an exhaustive list of activities a CHRO might carry out.

Summary of the Five Roles

Role	Component	Definition
Board's Leader of Human Capital	Plan and Support CEO Succession	Work with the Board to manage a comprehensive CEO succession process, including the identification, development and assessment of potential candidates. Plan and manage the actual transition, including the onboarding of the successor candidate into the role and the change leadership requirements to ensure a smooth and orderly succession.
	Build Shareholder-Supported Executive Compensation	Develop a pay-for-performance compensation program that best aligns shareholder considerations and external influencers with internal management strategies and priorities, ensuring alignment of these programs as relevant throughout the organization.
	Surface and Respond to External Trends	Constantly monitor external influences on the company's strategies and performance as they relate to the firm's management of its human capital. Develop and execute strategies in anticipation of, or response to, these external trends.
Creator of Talent Strategy	Identify and Manage Critical Roles	Identify roles in the organization most critical to achieving strategic goals and proactively and assertively manage talent pipelines and succession for these roles.
	Design Talent Management Processes	Create nimble, responsive and future-focused processes and approaches to attract and grow talent through proven practices and innovative experimentation. World-class talent management processes should deliver strong, "ready now" bench strength.
	Direct Strategic Workforce Planning	Identify material shifts in talent needs required to meet future business demands and create a realistic plan to deliver these capabilities at the right time.
Enterprise Change Leader	Challenge the Status Quo	Recognize and challenge the existential threat of complacency in the organization by challenging the way work gets done and proposing new processes, structures and people better able to capitalize on future business opportunities.
	Plan Strategic Enterprise Changes	Acknowledge the constant amount of change facing organizations, anticipate and thoroughly plan the most substantial changes through the deployment of resources and staff where necessary.
	Manage Stakeholders and Advocate for Employees	Understand the impact of change on all stakeholders. Where appropriate, anticipate the needs of the workforce and ensure these needs are adequately addressed relative to the firm's culture, strategy and business context.

Summary of the Five Roles

Role	Component	Definition
Driver of Culture and Purpose	Link Purpose to Culture	Where necessary, work with the CEO to identify and distill the purpose, vision and mission of an organization within a broader, evolving social context; link this purpose to human capital management systems throughout the organization.
	Measure and Communicate the Culture	Armed with knowledge of increasing expectations and capability of data collection, management and analysis, gather and analyze data on how employees experience the culture and empower them to share honestly with leaders.
	Hold Leadership Accountable for the Culture Promise	Work with leaders to ensure business operations, decisions and processes are consistent with the stated culture. Where the “walk fails to match the talk,” take decisive action to reconcile the two.
Trusted Advisor and Coach	Advise and Coach the CEO	Provide honest advice to the CEO that channels multiple perspectives and be willing to confront him or her with uncomfortable truths in the best interest of the organization.
	Maximize Senior Team Effectiveness	Partner with C-suite peers, both individually and collectively, with an eye toward improving senior team cohesion and performance.
	Coach and Develop Key Enterprise Talent	Invest personally in identification and preparation of emerging leaders across the enterprise, keeping an eye out for underrated or underdeveloped talent.

I. Board's Leader of Human Capital

For any CHRO, presenting an executive compensation plan to the board of directors' compensation committee is a significant time investment that requires intense preparation. But great heads of HR guide the board's thinking on a range of talent topics. Wherever major strategic shifts in markets or society intersect with human capital, CHROs should be on hand to provide a point of view and strategy on how these human capital issues should best be managed. Successfully providing thought leadership and influencing the outcome of board meetings related to a CEO transition, a response to a key external trend, a substantial business growth opportunity or a major repositioning of the workforce is often one of the defining experiences of a world-class CHRO's career.

Living the Role: Board's Leader of Human Capital

"The vast majority of a board's agenda has significant talent implications. As CHRO, it is my role to develop and lead the human capital agenda for the enterprise, and work with the board to gain input and alignment on these priorities. Directors of higher-functioning boards I have been on or around spend a great deal of time on succession planning, executive compensation and the constantly changing external issues that potentially impact their respective organizations.

Recently, American Express planned and managed a CEO transition. This was thoughtfully planned and timed, ensuring alignment with the board's priorities. While managing the CEO succession process is ultimately the board's responsibility, as CHRO, my role vis á vis the board takes on a form of partnership — from the creation of the succession plan, to the Board's review of viable candidates, to the successor selection process, and ultimately, the formal transition and onboarding of the successor CEO.

Over the years, I've been fortunate to play a role in multiple CEO transitions, both as a CHRO and as a board member. Through my experiences, the partnership of the CHRO and the board through these and related senior leadership transitions to ensure a successful and sustainable outcome cannot be underestimated."

Kevin Cox
Chief Human Resources Officer
American Express

Plan and support CEO succession. HR leaders know that CEO and executive succession are among the most important conversations they have with the board⁶. These are also unique conversations that differentiate them from other executives. When evaluating a succession plan, the CHRO strikes a delicate balance between loyalty to the CEO and fiduciary responsibility to the organization. Succession requires the construction of a future-facing CEO scorecard, objective evaluation of peers for key roles, and, uniquely in the case of CEO succession, providing valuable input on who his or her own leader should be. World-class CHROs are never defensive or awkward in this position — they are analytical and call on a combination of evidence and experience as they make judgment calls on key leaders. They prepare for this role by constantly seeking out and developing new talent to fit top-level roles both within and outside of their organizations. Increasingly, boards expect CEO succession to be an evergreen process that occurs well in advance of an expected (or unexpected) succession event⁷.

"Any VP of Compensation can follow the recommendations of ISS or other advisory firms, but a CHRO has the unique understanding of what the organization is trying to accomplish."

Former CEO
Professional Services Industry

Build shareholder-supported executive compensation. Executive compensation is a dominant discussion for almost all CHROs when working with boards⁸. In fact, effectively framing this discussion is critical to ensure it doesn't occupy all of their time with the board. The best HR leaders differentiate themselves in this arena by linking their expertise in the highly technical compensation field to their understanding of business strategy, translating it into a performance management and rewards system that creates value. Great CHROs think about compensation strategy in terms of different stakeholders of the company, identifying and anticipating the public's concerns, external activists and shareholder-driven issues, including "say on pay" and stock trading. These CHROs counsel the board as to when it's appropriate to listen to stakeholders and norm to other companies, or when to be aggressive and contrarian in pursuit of performance.

Surface and respond to external trends. One of the more recent and rapidly changing aspects of the CHRO's job is the duty of serving as an ambassador from the external world back into the organization. This isn't a role CHROs can afford to ignore, as organizations increasingly expect their CHRO to represent the brand with external stakeholders, such as institutional investors. Issues in areas such as diversity and inclusion, social responsibility and sustainability are increasingly front of mind for investors, activists and employees. Consequently, heads of HR must anticipate when external issues will affect the organization and its workforce, accordingly raise them to the board's attention and recommend the next action to take. If the reputation or brand of an organization comes under threat, heads of HR must step up to guide the response, working with the CEO and other corporate officers, and using the firm's corporate values as a compass to guide the most appropriate actions. HR executives excel at this by creating a dialogue with other business leaders and developing joint plans to capitalize on the opportunities created by disruption or to minimize the negative impact of those trends.

Competencies and Defining Moments for the Board's Leader of Human Capital

The CHRO Global Leadership Board has identified these competencies and moments as critical to fulfilling the role:

Competencies	Defining Moments
<p>Judgment Ability to effectively and succinctly frame complex cost-benefit analyses to advise the board on major human capital decisions, recommending the best potential course of action.</p>	<p>Managing a CEO Transition Managing a major leadership transition, from the development of a succession process and the identification and development of successor candidates to the exit and onboarding of the new CEO.</p>
<p>Proactivity/Trend-Spotting Ability to anticipate future human capital problems the board must address, develop mechanisms to surface and manage the problems in advance and monitor for further action by the board.</p>	<p>Managing Executives Through a Sensitive/Crisis Situation Managing a sensitive, high-risk event that jeopardizes the reputation and brand of the organization.</p>
	<p>Leading Independent Board Interactions Engaging board members in meetings and individual interactions on sensitive issues that require navigating tensions between the CEO and board (i.e., CEO performance conversations).</p>

II. Creator of Talent Strategy

With organizations facing new competition, new opportunities and new geographies, the CHRO is tasked with designing a people strategy that examines how their organization really works and that places the right people in the right roles at the right place and time to drive business outcomes. CEOs and organizations rely on the HR leader's vision for finding, managing and developing employees to accomplish their strategic goals. This isn't a vision that starts where business strategy ends. Rather, talent strategy and business strategy discussions are concurrent and complementary. HR leaders work with other business leaders to determine what is possible for the organization to achieve from a people perspective and what

capabilities the organization needs to succeed in the future. World-class CHROs keep their eyes very much on the horizon. They identify future trends (e.g., automation, artificial intelligence and robotics), opportunities and disruptions to the business, and shift their workforce strategies to seize the opportunities present or blunt their adverse effects. Trend-spotting and developing strategies and contingencies for the most important ones falls squarely on the shoulders of the world's most capable CHROs.

Living the Role: Creator of Talent Strategy

"My core belief is that our top focus is 'the right person with the right skills at the right time.' By doing so, we create high-performing teams that achieve truly exceptional results. This work, in partnership with the CEO, leadership teams and board of directors, has never been more critical to driving competitive advantage and is our key role as business leaders and CHROs.

A company's continued success depends on the unique capabilities and innovation of its people. To successfully lead our talent strategy, we must deeply understand the business strategy and execution risks and opportunities to build a talent framework that leverages the strengths of each person, ensuring they are in roles to drive positive outcomes and on teams that multiply their efforts to achieve extraordinary results. We must have multifaceted knowledge about our people, understanding their capabilities and potential while implementing individual and enterprise development strategies.

I take the role of the 'talent strategist' as my most important effort. In my relationships, as a trusted advisor, I gain the knowledge and experience to execute a culture that drives accountability for talent into the role of every manager and ultimately provides the competitive advantage CEOs and boards strive to achieve."

Michael D'Ambrose
Chief Human Resources Officer
Archer Daniels Midland Company

"The design and development of a talent vision is crucial. A CHRO needs to understand and assimilate the context and direction of the organization to develop the strategies to implement that vision."

Former CEO
Manufacturing Industry

Identify and manage critical roles. At most organizations, there are usually a handful of roles that are deemed "critical" to success. CHROs are personally involved in identifying these roles and engaged in the process of filling them, either through an external search or internal movement. Seventy-five percent of organizations are likely to face an internal capability shortage within five years, so it is critical for CHROs to identify the roles that directly impact strategy or revenue⁹. Although roles in the C-suite are the most common starting point, well-led firms understand that large pockets of value are created elsewhere in the organization. CHROs need to be able to identify overlooked, but valuable, roles and potential roles that will be crucial in the future. To prepare for necessary changes to these roles, heads of HR need to continuously scout out, assess and recruit potential talent from diverse sources to add to the leadership bench.

Design talent management processes. All CHROs have to ensure that core talent management processes function effectively and at an acceptable cost to the organization. However, HR is increasingly moving beyond efficiency as the main consideration for people initiatives. Rather, heads of HR need to stay current on and apply the most effective talent management techniques, creating processes that are nimble, responsive and prepared to meet tomorrow’s human capital challenges. Great CHROs understand that legacy-based talent management systems have significant limitations in a more VUCA world, where change is often happening at a pace that outstrips the organization’s ability to build and maintain strong, diverse benches of talent. World-class CHROs take an “outside-in” approach to new talent management practices, challenging traditional HR thinking and running experiments to gather evidence on what really works.

Direct strategic workforce planning. As business strategies evolve, CHROs need to identify the material shifts in their people strategies that are needed to meet future business demands. All CHROs are tasked with aligning the people strategy to the CEO’s vision of the workforce. For example, CEOs creating a digital business make it a top priority for their CHROs to attract, develop and retain digital talent¹⁰. But workforce planning is more than a numbers game of ensuring that enough staff is hired. World-class HR leaders are developing and delivering people capabilities quickly enough so the business can seize opportunities, such as entering into new markets or adjacencies, or combining organic development and inorganic acquisition of new competencies. Workforce planning only becomes strategic when the CHRO is meaningfully engaged in the firm’s overall strategic planning, not as a bystander but as a source of input and ideation.

Competencies and Defining Moments for the Creator of Talent Strategy

The CHRO Global Leadership Board has identified these competencies and moments as critical to fulfilling the role:

Competencies	Defining Moments
<p>Business Decision Making Ability to apply holistic understanding of the organizational business model, financial data and external trends to make effective decisions on the current and future talent needs of the business.</p>	<p>Driving Executive Decision Making Around a Key Trend Affecting the Enterprise Proactively monitoring macro and micro trends (e.g., changing nature of work or the workforce) and directly influencing key business outcomes and resulting people decisions around rewards, talent development and talent acquisition.</p>
<p>Evaluating Key Talent Ability to continuously scout out, assess and recruit key talent from diverse sources to add to the leadership bench.</p>	<p>Delivering Capabilities for a Business Transformation or New Business Acquisition Identifying when a new business strategy requires a material shift in people strategy (i.e., turnaround, new market strategy) and then developing, designing and implementing the human capital plan that is needed to meet the business demands for capabilities in the right place and at the right time.</p>
<p>Talent Management Expertise Ability to stay current on and apply the most effective talent management techniques to solve the organization’s human capital challenges.</p>	

III. Enterprise Change Leader

The ability of a CHRO to lead in an environment in which change is a constant will continue to grow in importance. The average organization undertook five major changes in the past three years, and 73% of CEOs expect HR to implement change faster than ever before¹¹. All HR leaders will be required to facilitate larger and more rapid changes in their organizations, and world-class CHROs recognize that they and their functions are the catalysts of that change.

Living the Role: Enterprise Change Leader

“As an enterprise change leader it was my job to guide the organization through upheaval in the business landscape. After the Affordable Care Act we had a new CEO and a new business model, branching out from a B2B model where we sold only to large clients to a B2C model, entering the private insurance and individual retail markets. We realized that as an organization we had a very monolithic and hierarchical culture, but with the new business model we needed to be much more collaborative, or else risk losing out on major market share.

We implemented an initiative to find leaders who were really strong in collaboration, using them to start a grassroots movement where they could tell stories of how they successfully collaborated and inspire others to be more collaborative. These collaboration champions were hand-selected, and our CEO sat down with all of them to instill the importance of the initiative.

To sustain the change, it was critical to hold leaders accountable by measuring and rewarding them on the change that was being implemented. We made sure we had hard metrics on how leaders were working across business lines and fostering collaboration within their own teams, and we tied that directly to their bonuses. At first this was just for VPs, but we expanded it to the director level, over 800 leaders. Connecting those hard talent metrics to our rewards system was the most effective way to make sure the change lasted.”

Nazneen Razi
SVP, Chief Human Resources Officer
Health Care Service Corporation

Challenge the status quo. CHROs cannot wait for change. Sometimes they must boldly question and challenge the way work gets done to create the opportunity for organizational change leadership, fighting stagnation within an organization and testing the limits of what is possible to achieve. This may require challenging other business leaders on their own functions, using their deep knowledge across the business to reassess how things are done. But CHROs are calculated in their risks. They back up their questions with research and analysis. They develop hypotheses and test what will work, and they articulate the case for change in terms of the evolving expectations of the organization’s customers and the implications on the workforce.

“HR credibility is built when its leaders come up with ideas that will move the business forward that on their face have nothing to do with HR.”

CEO
Financial Services Industry

Plan strategic enterprise changes. When disruptions in the business environment necessitate organizational change, CHROs rise to lead the organization through a successful transition. They have to be adaptive, quickly and flexibly deploying resources and staff to manage change across the organization, rather than relying on dedicated change teams. Yet only 21% of organizations can initiate change as soon as the need arises¹². To overcome this challenge, world-class CHROs prepare for change before it happens, cultivating continuous learning and experimentation as a method of working within their workforce, their own teams and themselves.

“There is an intangible role that can’t be overlooked around reading the hearts of employees and the soul of an organization that the CHRO is most likely to fill for any organization.”

CEO
Healthcare Industry

Manage stakeholders and advocate for employees.

Well-led change requires balance. Stakeholders — whether external (e.g., shareholders, works councils, labor unions, regulators) or internal (i.e., workforce) — need to be effectively partnered with and managed. In particular, CEOs value their head of HR as the executive who understands what frontline employees are thinking during a change. Great CHROs are aware of the impact of change on all

stakeholders, identifying the “winners” and “losers” of change and engaging the parts of the workforce that may feel threatened, such as a business-unit leader who loses influence or staff at risk of losing their jobs. CHROs most successfully lead change by engaging the workforce as an ally in the change process, communicating a compelling vision with clear goals and working with employees to design and implement changes. In this context, advocating for employees does not mean simply “taking their side.” It refers to the need to ensure that leadership considers the effect of the contemplated change on employees, and takes the actions required to improve the probability that the change succeeds and is sustained. Heads of HR who can drive decision making and planning deeper into the organization during the change process are 24% more likely to see a successful change and can decrease change implementation time by as much as 33%¹³.

Competencies and Defining Moments for the Enterprise Change Leader

The CHRO Global Leadership Board has identified these competencies and moments as critical to fulfilling the role:

Competencies	Defining Moments
<p>Customer Orientation Ability to articulate the case for enterprise change in terms of the evolving expectations of the organization’s customers and the implications on the workforce.</p>	<p>Designing a Strategy to Enable an Organization to Implement the Right Structure for Future Business Needs Building an infrastructure that enables fundamental changes in the way work gets done in the organization to drive employee engagement and organizational performance.</p>
<p>Adaptive Leadership Ability to quickly and flexibly deploy HR resources to manage change and sustain change momentum when issues arise.</p>	<p>Leading a Bold Experiment Seizing an opportunity for bold and courageous leadership, such as the launch of an innovation center or incubating a radically different business inside the enterprise to evolve talent and support growth.</p>
<p>Motivational Leadership Ability to communicate a compelling/inspiring vision and clear goals to all employees in a transparent way so they understand the complete rationale for change.</p>	<p>Implementing a Large-Scale Change to Compensation or Benefits Implementing a new compensation or benefits strategy that carries significant workforce risk, such as shifting from a defined benefits to a defined contribution plan or launching a voluntary separation program.</p>

IV. Driver of Culture and Purpose

The CEO is the unquestioned owner of the organizational culture. Almost all CEOs believe in the importance of culture, and a majority are heavily involved in managing it¹⁴. At the same time, they need their head of HR to be a key partner in building and evolving a culture that drives performance¹⁵. Today, less than one-third of CEOs believe their culture strongly prepares them for strategy changes and structural changes¹⁶, and external trends and business disruptions are subjecting culture to more scrutiny from consumers and shareholders alike. A CHRO needs to know how to align the workforce to the culture, holding people, programs and processes

accountable for getting work done in ways that reinforce the organization's purpose. Heads of HR who successfully drive the culture across messaging, behaviors and business processes will see direct results in key business metrics, including up to 9% improvement in performance against revenue goals¹⁷.

Link purpose to culture. Organizations without a clear purpose lack navigation to guide them to sustained business results. CHROs work with their CEOs to clarify and distill the purpose of an organization within a broader social context, always tying that vision back to business strategy and the culture that will carry it out. Simply put, purpose is the “why” of an organization, and culture is “how” work gets done. Discussions of purpose are vital and must not be deferred until moments of crisis. The role of the CHRO is to look across the entire business to ensure strong linkage of purpose and culture, not only to see if they are aligned, but to ensure they come together to deliver sustainable and differentiated value for customers.

Living the Role: Driver of Culture and Purpose

“I received a meaningful leadership lesson from a hotel cleaning woman who greeted me cheerfully and told me she was there “to make sure I feel at home every day.” She had transformed her job into something much more noble that had nothing to do with cleaning hotel rooms, drawing energy from always thinking about the next customer she would help to feel at home while on vacation, something to which we all aspire.

Every company needs to invest energy in helping employees transform every activity they do into that nobler purpose. The first mission of any company is to define what it does beyond generating a good profit. The purpose is something that leaves a unique fingerprint in society. If you define a meaningful, impactful purpose, you will have much less trouble attracting and retaining the best talent.

Defining a purpose is critical for a bank because today we need to attract people who are experts in data mining or psychology, not just finance. But people with these skills are targeted by every industry. Without a purpose that is completely different and defines our value in society, we can never compete across industries. We are selling people whom we want to join us on a vision of responsible banking, so we inject an element of that purpose into all of our processes, from recruiting to compensation to performance management. When we evaluate leaders, half the conversation is about performance, but half is based on how they have acted as ambassadors of our culture and supported our purpose.”

Roberto Di Bernardini
Global Head of HR
Santander

“A CHRO who thinks hard about culture is underappreciated; it requires so much time to understand what the culture even is.”

**Former CEO
Communications Industry**

Measure and communicate the culture.

Understanding the current state of the organization’s culture is essential to effectively sustaining it or meaningfully changing it. World-class CHROs do this by gathering and analyzing quantitative and qualitative information on how employees experience the culture, both the good and the bad. They then empower employees to share their perspectives with the CEO and senior leadership to inform decisions that support and manage the culture and, in some cases, better articulate what the culture means for employees’ everyday work.

Hold leadership accountable for the culture promise. To create the right culture, leaders often begin with personal role modeling. They work hard to say the right things and behave the right way to reflect how work should get done in the organization. However, the best leaders also focus on how they operate their businesses, ensuring that decisions around processes and systems, from budgeting to staffing, are made in ways that reflect the promise articulated in the organization’s culture. For CHROs, working with the CEO to hold leadership accountable for not just “walking the talk” but establishing business leadership as culture leadership is vital. Within their own function, heads of HR also cannot overlook the importance of harmonizing HR processes to be consistent with the organizational culture.

Competencies and Defining Moments for the Driver of Culture and Purpose

The CHRO Global Leadership Board has identified these competencies and moments as critical to fulfilling the role:

Competencies	Defining Moments
<p>Cultural Visioning Ability to partner with the CEO and executive peers to craft both the organization’s unique purpose, based on the broader business strategy and social context, and a culture that will deliver on that purpose for customers.</p>	<p>Crafting a New Mission/ Vision/Values Leading work to establish a new mission, set of values or vision for the organization to better compete in the market after a large-scale integration, business transformation or leadership transition.</p>
<p>Personal Role Modeling Ability to demonstrate the organizational culture through individual actions and interactions, casting a shadow that reflects how work should get done.</p>	<p>Leading a Cultural Transformation Designing a long-term initiative to drive a turnaround of the culture and engagement across an organization.</p>
<p>Process Design Ability to harmonize HR processes to be consistent with organizational purpose and culture and influence leaders to align business processes with the culture.</p>	<p>Managing Impact of Digitalization on Culture Managing the organization through the pressures and demands of evolving workplace technologies such as artificial intelligence, social learning and data analytics — and proactively anticipating the impact on culture and employee effectiveness.</p>

V. Trusted Advisor and Coach

To outsiders, making it into the CEO's inner circle makes this role perhaps the most glamorous of the five. Both heads of HR and CEOs agree that this is one of the most critical roles a CHRO can play¹⁸. A CHRO unable to build trust with the CEO and credibility among fellow senior leaders will not be long for the job. However, CHROs should also be cautious to not overinvest their time in this role. They can provide deep insight into the dynamics of the leadership team and give helpful feedback, but should not become a crutch to the leadership team or focus solely on helping executives get along with each other. Similarly, they need to be impartial in the face of high-stakes conversations and situations, and must be prepared to put their careers on the line to defend a position.

Living the Role: Trusted Advisor and Coach

"Several years ago we were breaking into a new business area. There were a lot of moving parts and we needed a very niche talent, which we were able to find and hire. But not long into this person's tenure we received some conduct concerns. We conducted an investigation, and it was a situation we could have dismissed as a "culture issue" or "misunderstanding." There were ten good market reasons for us not to deal with it; what the person did wasn't unlawful, this person was really hard to find and not easily replaced, etc. But this person was not transparent or forthcoming in the investigation, and we knew we had to move forward quickly. So we decided to sever the relationship. We took a short-term blow that was painful, but we grew our credibility in the long-term.

How you execute when the business is under pressure is one of the most important parts of this job. It's times like these where you have to be arm-in-arm with your business leaders and look not just at what the rules are or what the business parameters say, but how your response aligns with your culture. You have to build a relationship of trust, of advocacy and of mutual respect on the little things first, so you can be the canary in the cage when it really matters."

Martha Delehanty
SVP, Human Resources
Verizon

Advise and coach the CEO. The CEO-CHRO relationship is unique among all executive partnerships. The CHRO is an advisor on not only the human capital issues a CEO might face, but also everything from business strategy to leadership style, acting as a critical sounding board. At the same time, the perceived independence of the role is balanced against the reality of being the CEO's direct report. World-class HR leaders are the executives most willing to confront their CEOs with uncomfortable truths that need to be heard and are able to advocate for the CEO to take a different position on a key issue.

"Helping senior leaders coalesce into a high-functioning team is what I'm looking for most in a CHRO."

CEO
Retail Industry

Maximize senior team effectiveness. CHROs ensure an organization is getting the most from its leadership team, through both individual coaching and a keen understanding of how to build effective senior teams. Although the CEO, board and executive team are interdependent, each requires an independent investment on the part of the CHRO. The top levels of an organization can be highly politicized, and a CHRO has to navigate this environment while providing balanced, objective and honest counsel to senior leaders. Heads of HR are often called upon to deliver the hard truths that organizations face and have to hold senior leaders accountable to a promised brand of leadership. The key to success is that CHROs must be unparalleled listeners, maintaining strict confidentiality and unwavering ethics at all times.

Coach and develop key talent. CHROs use their coaching skills to develop key leaders across the enterprise, including leaders on the executive team and promising talent elsewhere in the organization. Diverse leaders with a range of abilities and experiences are critical to future organizational success, and CHROs scout out this next generation of talent with a keen eye for rising leaders with great potential who might otherwise be overlooked. CHROs personally invest in the success of these individuals, providing development assistance and helping to connect them with other leaders and opportunities.

Competencies and Defining Moments for the Trusted Advisor and Coach

The CHRO Global Leadership Board has identified these competencies and moments as critical to fulfilling the role:

Competencies	Defining Moments
<p>Emotional Intelligence Ability to identify areas of personal strength and weakness in own role and seek out diverse feedback and points of view to manage one’s own emotions and those of others.</p>	<p>Engaging Executives in Critical Dialogue on Leadership Needs Engaging and influencing senior leaders and board members to think about the organization’s future leadership needs, using data-driven decision making to build a comprehensive succession plan that is implemented.</p>
<p>Speak Objectively Ability to provide balanced and impartial counsel to senior leaders while maintaining strict confidentiality and unwavering ethics within a politicized work environment.</p>	<p>Courageously Advocating a Contrarian Position With the CEO Recognizing significant business risks of CEO action or inaction on a human capital issue (e.g., firing a top performer) and respectfully but firmly advocating for the CEO to take his or her course of action.</p>
<p>Persuasion Ability to engage the board, CEO and peers on important, controversial issues and build a compelling case to change their minds when necessary.</p>	

C. The Capstone: Driving Business Results

When performing each role, a world-class CHRO always focuses on the ultimate goal: Driving business results. When CEOs judge the value of their HR leaders, they ask what work the CHRO can do to drive business results, and just as critically, what work the CHRO can stop doing that does not. Heads of HR who can answer those questions demonstrate the difference between leaders who lead great functional achievements and leaders who drive great business outcomes.

Conclusion

This white paper has sought to build awareness of the potential for CHROs to play a much broader role in their organizations and provide the guidance necessary to achieve it. There is no single path forward for CHROs to expand their scope, and pushing ahead on all of the roles at once would be challenging. A head of HR faces different expectations from the CEO, board, executive team and HR team on how their time is spent. The key for world-class CHROs is to work within their business contexts and with their CEOs to prioritize the roles based on the needs of the organization.

References

¹PwC's 20th CEO Survey.

The following links are only accessible by CEB Corporate Leadership Council members:

²CEB 2016 HR Agenda Poll.

³Succession Strategies for the New Work Environment, CEB 2013.

⁴The New Path Forward, CEB 2015.

⁵CEB 2017 CHRO Agenda Poll.

⁶CEB 2013 Working with the Board Survey.

⁷CEB 2013 Working with the Board Survey.

⁸CEB 2013 Working with the Board Survey.

⁹The New Path Forward, CEB 2015.

¹⁰CEB, The CEO 20 Pulse on the Future of Work.

¹¹Open Source Change, CEB 2016.

¹²CEB 2016 HR Agenda Poll.

¹³Open Source Change, CEB 2016.

¹⁴Creating a Culture That Performs, CEB 2017.

¹⁵Creating a Culture That Performs, CEB 2017.

¹⁶CEB, The CEO 20 Pulse on the Future of Work.

¹⁷Creating a Culture That Performs, CEB 2017.

¹⁸CEB, The CEO 20 Pulse on the Future of Work.