

What every CEO should expect from their CHRO

by **Ellie Filler** and **Professor Dave Ulrich**

Being a CEO today is more like the challenge of a lifetime rather than the 'fun job' it once seemed to be. Business conditions have eroded as global recession makes it more difficult to access capital, create customer loyalty, and invest in an unknown future. CEOs have to spend more time on consolidations than expansions, lay-offs than hiring, and scrutinizing costs more than serving customers. Which is exactly why true leaders turn to HR for support, realizing the crucial role of HR and the competitive advantage it can provide if top talent is engaged in the right way.

What is remarkable is that in these difficult times, good CEOs become better. They find the personal resolve to not only enable them to cope, but to lead their organizations to a brighter future. They discover that leading in difficult times is neither random nor ad hoc. CEOs who lead are able to master the inevitable paradoxes of cutting costs while at the same time growing through innovation and geographic expansion; manage for the short term and at the same time invest in the future; reduce employee benefits and at the same time engage key employees; and tighten budgets while at the same time encouraging innovation.

Talent Management – a key differentiator

To lead through these paradoxes, CEOs realize that talented, well functioning teams become an even greater differentiator. In tough times, top talent will still have the same or even more opportunities elsewhere, so strengthening the 'A' grade players and ensuring their engagement becomes a primary CEO agenda item. While some firms are relying on

government bail outs, top CEOs realize that bailing out their companies focuses on the symptom not the problem. The metaphor of a bail out comes from removing water from a sinking boat. If the hole in the boat is not fixed, any amount of bail out will ultimately fail. CEOs need to find and fix the managerial holes while rebuilding and reshaping the boat. Economic pressures give leaders license to act boldly to assess and upgrade their talent. Economic pressures need not lead to psychological recessions. Leaders need to continue to instill confidence not only in investors and customers, but in employees who will turn to leaders for a sense of hope and confidence. When leaders respond to increased economic demands by involving and improving their talent and building their teams, they create organizations that increase productivity today while preparing to respond to the future.

CEOs and CHROs – working hand in hand

While CEOs are ultimately responsible for managing talent in turbulent times, they should have a close ally in their Chief Human Resources Officer. In the last fifteen years, the human resources field has shifted attention from the transaction work of administering employee needs and setting policies, to the more strategic work of helping organizations build capabilities to respond to customers and increase confidence from investors. When talent becomes a primary competitive differentiator, CEOs should be able to turn to their CHROs as personal coaches, architects, and allies in the creation of responsive organizations. We have found that too often while CEOs increasingly have higher expectations and demands for CHROs, some HR

leaders are retrenching, taking fewer risks, and returning to their administrative work as a safe haven and comfort zone.

CHROs should have deep understanding about employees in the organization and offer creative solutions on how to find, motivate, engage, and keep them. It is also about creating flexibility within the organization to ensure more is done with fewer people. The CHRO should be able to recognize current compensation demands like financial restraints on executive pay, but find creative ways to engage and value top talent. They should be disciplined at removing work so that remaining workers are not expected to accomplish historic workloads. They should be adept at helping to craft a simple strategic story that unites the employees inside with the customers and investors outside. They should be knowledgeable about how to make that story become real through words, symbols, and HR practices. They should be able to define the leadership brand that connects customer expectations to employee actions. They should be constantly building and assessing next generation leadership. They should be able to redesign organizational roles and routines, streamlining operations to ensure efficiency and accountability. They should be aware of the unintended consequences of their actions as they shape a culture that endures over time. They should recognize the impact of decision-making and resource allocation in getting the best ideas and in involving others. They should be sensitive to the enduring values of the company and how to ensure that those values continually guide tough business decisions; they, together with the executive team need to act as the guardians of the organization and

its brand, helping to develop a positive employer brand. The role of the true 'business partner' – a phrase so often misused today, encompasses all of these factors at a time when business needs them the most.

How well does your CHRO support you?

To make sure CHROs are responding to these opportunities, we have prepared a list of questions that CEOs should be asking about their CHROs:

Strategic understanding and business acumen

Does your CHRO really understand how your business makes money? It is vogue for HR work to be linked to strategy, but your CHRO should look through the strategy to understand customers and investors and know what they need and why they give money to your firm.

Does your CHRO have strategic vision? Or the ability to see what might be coming around the corner in terms of business demands (e.g., investor or customer expectations), talent requirements (e.g., retirements looming), government regulation (e.g., global green initiatives). You want a CHRO who can anticipate the future and act today.

Does your CHRO have global instincts and recognize the trade offs of local autonomy and global leverage? You want a CHRO who ensures that your organization is fully diverse, respecting not only demographics differences (race, gender, age, orientation), but global differences as you make decisions.

Does your CHRO have the business gravitas to remedy and take tough positions not only on HR but on the business? When you are facing significant business decisions, does your CHRO have a voice? Take a stand? Bring new insights into the discussion?

Does your CHRO have the ability to prioritize and focus HR investments? Not everything worth doing is worth doing well. It is important to prioritize and focus on things that matter most.

Branding and corporate culture

Does your CHRO help you transfer your brand to your culture? A sustainable culture comes when the expectations of customers and investors transfer to leadership behaviors, corporate initiatives, employee actions, and managerial processes. You want a CHRO who bridges the outside and the inside.

Does your CHRO balance your team's discussions so that if you tend to talk about short-term responses, your CHRO will remind you of the long-term implications? But if you over-weigh long-term direction, your CHRO will bring you back to the present?

Does your CHRO not only manage talent and individual ability, but teamwork and organization capability? You want a CHRO who can build an organization that outlasts you and your current leadership team.

Leadership and team work

Does your CHRO have the ability to work as part of your executive team? Complex problems will not be solved by individual contributors, but by team contributors. Can your CHRO work productively with marketing to provide the talent and organization

to serve customers, with finance to manage costs and operate within budgets, with manufacturing to ensure efficiency, and with other members of your management team?

Does your CHRO have the ability to credibly lead the HR function? This means setting strategy, making things happen, upgrading to a strong HR team, and building personal credibility inside and outside HR.

Can your CHRO make things happen? Legacy HR has often been guilty of rhetoric and activity rather than results and outcomes. You want a CHRO who has the tenacity and determination to get things done.

Does your CHRO have your trust and confidence and challenge you when appropriate? You want a CHRO whom you rely on to tell you the truth about your managerial efforts and your organizational initiatives.

What we have laid out is a high bar for the role of HR. When we spoke to a CEO who recently interviewed two external candidates for the CHRO job, it became clear what is expected of today's CHRO. Both candidates were well trained, broadly experienced, and highly recommended. On being asked what he would bring to the company, the first candidate talked about his experience in hiring and promoting people based on rigorous competency models, on being able to manage the complexities of base salary, bonus, and stock options, and on having created a leadership academy for future leaders. The second candidate guaranteed that through HR investments, the organization would have 10% greater innovation than other competitors as measured by revenues from products and services created in the previous three years, reduce costs

by 5%, increase employee productivity and morale, be first to market with new products services, and gain customer share from targeted customers. The first candidate focused on HR activities, the second on business outcomes. In demanding markets, CEOs want CHROs who participate fully with them in creating business success by focusing on outcomes not activities.

Six key competencies

Our research reveals what top CHROs must do to perform against the questions we raise, delivering the results the CEO demands. We have identified six competencies that you should see in your CHRO:

Credible activist: Your CHRO should be credible in that you trust them but they are also an activist who takes a position on what the business needs to succeed. This means being them being an active participant in business discussions not only on HR, but business issues too.

Business ally: Your CHRO should know the business. This means knowing the external world in which you operate including the business environment, technological changes, industry trends, and government regulations. It means passing a business literacy test on how you make money, serve customers, and differentiate from competitors.

Strategic architect: Your CHRO should contribute to shaping and delivering strategy. This means that your CHRO can help you write your strategic story and then work to make it real through HR practices and leadership behaviors. In addition, the CHRO can manage the process of creating strategy and of communicating it inside and outside the organization.

Operational executor: Your CHRO should be able to deliver the HR basics on time every time. This means that the administrative work of HR is accomplished with flawless execution.

HR practice expertise: Your CHRO should bring innovative and aligned HR practices and procedures into the firm. This means that your CHRO needs to have varied experiences on how to manage people (staffing, training, downsizing), how to manage performance and link it sustainably to compensation and benefits, how to communicate and share information, and how to design an organization during both growth and challenging times.

Change and culture change: Your CHRO should be able to make things happen and change the pattern of work. This means that your CHRO has the ability to turn ideas into actions and to conceptualize and manage culture and be able to maneuver others by getting them to see the short and long term horizon

In summary

In difficult times, CEOs have a demanding and arduous job. But, they need not work alone. It is not only good but necessary for CEOs to demand more from their CHROs. Without a fully competent and engaged CHRO, the CEOs ability to succeed is severely limited. The role of the CHRO is more critical now than it has ever been. We observe this as we engage with our clients and hear their clear expectations on the value the HR function should bring. Meanwhile, companies are seeking specific HR expertise for their non-executive boards, reflecting the importance of people in any organization's strategic direction. CHROs must be ready and equipped to rise to these challenging times. ■



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