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Transforming the Future

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Today's top CEOs now expect the CHRO to be adept in general management skills with broad business perspectives and a strategic mindset as a business leader. The key charge for the CHRO functionally is to turn talent management into an instrument of business transformation that advances strategy, develops agile leaders, and coalesces in culture. How do outstanding CHROs unite these strategic and operational demands? By becoming, in effect, the chief change officers of the organization.

No role in the C-suite has been transformed more – or has the opportunity to become more transformative for business – than that of Chief Human Resources Officer (CHRO). As CEOs have increasingly recognized the value of talent to drive business outcomes, they expect CHROs to possess broad business acumen and to transform traditional HR practices into powerful competitive advantages creating a new way of working in a world of continuous change.

Says William P. Sullivan, CEO of Agilent Technologies, “I have always believed that a CHRO has a much bigger role than employment strategies alone. We’ve seen proof of that at Agilent where our HR leaders have a deep understanding of business strategies and are always at the table in making strategic decisions and shaping the company’s direction.”

To fulfill this strategic role, the CHRO must possess a broad range of business knowledge and leadership skills, including:

- Vigilance in scanning the external environment to anticipate business and talent threats and opportunities.
- Strategic thinking skills to work with the CEO and executive team to set direction.
- Cross-functional business understanding with a P&L orientation.
- The courage and decisiveness, to prioritize, to succeed – or to fail fast and move forward.
- The conceptual skills to shape the organization to meet tomorrow’s demographic challenges.
- Financial acumen to broadly balance resources and understand the financial implications and trade-offs of investments in every aspect of the business, including talent.
- Technological savvy to drive efficiencies and to engage the workforce through innovations in technology solutions.

- A risk management perspective with regard to talent.
- The ability to convey the importance of talent at all levels as a fiduciary issue to the board and the leadership team.
- Legal literacy to help ensure a culture of compliance and integrity at every level of the organization and across borders.
- Operational ability to ensure that the transactional aspects of HR are well executed in a world of fast-moving and changing expectations of the employee population.

“There’s no question that CHROs today must possess general management capabilities to effectively assess the unpredictable business environment,” says MaryAnn G. Miller, SVP, Chief Human Resources Officer and Corporate Communications, Avnet, Inc. “However, organizational transformation further requires CHROs to possess a high degree of emotional intelligence, exemplified by self-awareness and empathy, to gain the trust and commitment necessary for transformative change.”

As part alchemist, responsible for talent and cultural transformation in the service of strategic objectives, the self-aware, empathic CHRO must also be able to

- Unfailingly model the desirable attributes of the culture and passionately advocate them.
- Balance role of advisor to CEO with role of advisor to board on CEO succession and compensation and also advise on new board member acquisition and onboarding.
- Develop a “mindful” culture to embrace change and drive high performance in a multi-generational employee population where flexibility and adaptability

are easier for some than others.

- Refocus leadership development around change itself in order to produce agile leaders.
- Ensure comparable training and support for the workforce at large.
- Transform HR processes by leveraging both the new art and the new science available today, including the neuroscience of top performance as well as technology and data analytics to drive better decision making, to better anticipate workforce needs, to manage performance, and to support real learning.
- Cultivate a compelling employer brand from the inside out and the outside in with a strong marketing orientation, aligning all aspects of the organization around a strong purpose to drive engagement.
- Innovate in talent management, engagement and retention strategy, driving opportunity for all, while attending to the impact and toll of working in a fast-paced environment of change.
- Reshape the organizational design and rewards structure to reflect the dynamics of the business environment and the new world of work with more a mobile and less permanent workforce.

On the face of it, the wide-ranging aspects of the role appear to require multiple personalities. But the common thread running through all aspects of this role is change – anticipating it, managing it, and continually positioning the organization and its people to stay ahead of it. CHROs should be, in effect, their organizations’ chief change officers. This perspective brings together what might otherwise seem a highly fragmented and unmanageably broad set of responsibilities – and it pinpoints where CHROs can add the greatest value.

Transforming People = Transforming Business

The critical general management capabilities now required of CHROs – broad business acumen, strategic and analytical insight, financial savvy, risk management, and the ability to leverage IT and analytics – ultimately come together to shape an organization that's flexible and fluid while ensuring the right talent strategy for the constantly changing environment. Successfully setting strategy requires the ability to hit a moving target. Successful execution requires the ability to engineer the changes required by the strategy as it evolves, flourishes, and ultimately gives way to new strategies.

Today, the target is moving faster than ever.

The pace at which technology is evolving is outrunning the ability of many people to keep up. Demographic shifts around the world – from the multi-generational workforce to the flexible/contract employment trends to worker mobility – are altering markets, talent pools, and changing geographical advantages. These shifts are impelling organizations to develop corporate social accountability – or “conscious capitalism” – and to meet the challenges

of cultural inclusion. Globalization, though a fact of life, is not a steady-state global village but a volatile and dynamic environment that includes geopolitical instability, sudden reversals of fortune in many countries, and competition that can come from anywhere. These continuing disruptions constantly give rise to new business models, new talent needs, and new ways of working and competing – creating a transformation imperative for the entire organization.

The CHRO must not simply keep abreast of these developments but get out ahead of them and lead the charge in ensuring that the culture, the leadership, and workforce remain highly adaptable. “CHROs need to be expert at agile development,” says Eva Sage-Gavin, former EVP, HR and Communications, for Gap, Inc, “constantly moving forward and designing effective outcomes with an always changing landscape – and never reaching a fixed endpoint.” That means engaging deeply both in helping to drive the overall strategic objectives of the organization and proactively delivering high-impact, genuinely strategic talent management. Long gone are the days when strategy was developed in splendid isolation from HR and then talent was ordered up to fill the bill. CEOs, as well as CHROs, are well aware of the constraints that loom in the immediate and longer term: increased global competition for top talent; shortages of technical, scientific, and engineering talent; waves of senior people retiring in countries that experienced the baby boom; unrelenting technology changes creating new business models, shifting cost dynamics in labor markets around the world; and global reshuffling of economic power and geopolitical instability.

In this environment, CHROs can neither conjure talent out of nothing nor simply say that talent constraints preclude an otherwise promising strategy. Instead, as chief change officers, they must be able to design and manage the continuous evolution of the culture of the business and the talent ahead of any change and execution of strategy.

Says Donna Morris, Senior Vice President, People and Places, Adobe Systems, "As strategic business leaders, CHROs need to constantly re-evaluate and recommend organization and people changes, and have the courage to disrupt what might no longer contribute to business growth."

For example, as many hardware companies moved to software, and software companies moved to the cloud, they required completely different talent at all levels. As the world at large has moved to mobile and digital, every business has had to adapt and to harness new types of talent. Consider numerous other transformations and migrations: bricks and mortar retailers adopting e-commerce, content moving from TV to smartphone, distribution becoming integrated supply chain, BPOs' shift to provide analytics to their customers, not just processes.

Much like a Chief Risk Officer, but from a talent perspective, the CHRO should engage in long-range scenario planning – considering the impact of various talent risks and the likelihood of their occurring. They can then be prepared to create the right mix of talent development, external talent acquisition, and global workforce opportunities to overcome talent constraints and deliver on company strategy. They will also have the foresight to know when that mix should be altered or when it is time to pause and let the change take hold. And they must be prepared well in advance to make those decisions. Says Paulo Pisano, SVP of Talent for Pearson plc and former global head of HR for Pearson International, "The challenge for CHROs is to detach themselves from the ER-like 'urgent' box to keep the focus on longer-term trends and future proofing the business. But because CEOs often end up relying too heavily on CHROs to deal with urgent issues, an effective CHRO will have to play the role of educator and negotiator, in a very assertive manner, in order to maintain a balance between immediate firefighting and future-proofing the company."

Success in this world of rapid flux often depends on the ability to look for talent from non-traditional sources – in different geographies, industries, experiences. Or it could mean simply finding off-the-radar people with untapped potential – people who possess just plain fundamental smarts. But in every case, this talent will possess the critical ability to adapt. For example, we have recently seen an executive from a hardware company brought in to run a key business in a financial services company, a general manager in a food commodities business taking a leadership development role in an apparel company, and a head of strategy put into a CIO role. Similarly, CHROs are often being sourced from non-traditional areas, including line roles, IT, marketing, sales, and strategy.

This expanded strategic scope of the CHRO role has increasingly meant more interaction with the board. In the past, board presentations around talent strategy from CHROs dealt primarily with CEO succession and executive compensation. Today, however, farseeing boards recognize the talent risks and opportunities that lie ahead. They want to be assured that opportunities are being leveraged and risks are being systematically and objectively managed, especially succession needs and risks throughout the top levels of their companies. They also want to know how talent is being factored into key business decisions and any potential impact on shareholder value. In fact, boards at several major companies maintain distinct human resource or talent risk committees to ensure keen oversight of these issues.

If the business side of the CHRO role, then, is primarily about staying ahead of change in the external world, the talent side of the role is about managing change internally – in the organization, its people, and HR itself.

GREAT EXPECTATIONS

THE CHANGING RESPONSIBILITIES OF THE CHRO

CEOs and boards today expect CHROs to possess broad business acumen and to transform traditional HR practices into powerful competitive advantages.

The common thread in these new expectations? Change. Anticipating it, managing it, developing capabilities, and positioning the organization to stay ahead of it.

TODAY

TRADITIONALLY

Talent manager

Order taker

Functional focus

Responded to external trends

Talent steward

Focused leadership development on skills and scope

Technology user

Promoted diversity

Surveyor of employee engagement

Helped maintain monolithic culture

Talent transformer

Business-led talent strategist

Cross-functional business understanding, with a P&L orientation

Anticipates business and talent threats and opportunities

Talent risk manager

Expands leadership development to create agile leaders and workforce who can handle continuous change

Technology innovator

Practices diversity and inclusion

Marketer and visible communicator, internally and externally integrating the corporate brand with purpose and values

Drives high performance in a multi-generational, globally diverse employee population where flexibility and adaptability are easier for some than others

Transformative Talent Management

The technological, demographic, and global forces putting the CHRO's ability to lead change at the center of business objectives are also putting it at the center of traditional HR concerns: human capital processes, workforce planning, organizational design, and leadership development. Says Agilent CEO Bill Sullivan, "Agilent has completely transformed itself several times over the last decade. Along with the evolution of the company, we have transformed the HR function."

New technology – from mobile platforms to immense computing power in conjunction with big data – has engulfed companies and their employees. Changing demographics have created a multi-generational workforce, whose differing cohorts have different expectations and motivations, redefining the shape of work. Ongoing globalization confronts companies with the unprecedented cultural challenges and diversity – both in their markets and in their talent needs. The HR function, like any function, requires of its leader the smooth management of day-to-day activity. But CHROs who can also pull the change lever in response to these sweeping trends will add the greatest value to their organizations.

As chief change officer in the role of functional leader, exceptional CHROs seek to do the following:

Transform and leverage HR technology

The technological choices and tools now available for HR continue to proliferate: talent management software, performance analytics, workforce analytics, virtual training, cloud computing, web-based hiring networks, social media performance management and peer coaching, and more. To leverage the transformative potential of these tools, CHROs must be able to make an informed choice from the dizzying array of solutions, adapt them to the needs of the organization, and continue to evolve them. Most importantly, they need to be asking the right questions to optimize these investments.

One of the most immediate opportunities: adapting enterprise HR tools to mobile, now the most ubiquitous platform by far for managers, employees, candidates, and contractors alike and which, when used appropriately, can drive a different level of employee engagement. Because not everyone in today's multi-generational talent pool is equal in digital literacy, effectively leveraging technology for employee-users requires ease of use, not bells and whistles. For example, an employee intermittently using an online training program should be able to access it from any platform – mobile, tablet, PC – anytime, anywhere. Inside the HR function, the advent of new technology and analytics will require a corresponding change: a quantum leap in new skills for the HR team in order to optimize these opportunities.

Cultivate a compelling employer brand from the inside out and the outside in

The employer brand has become a key factor in attracting, engaging, and retaining talent. Widely publicized lists of the best places to work have become an annual phenomenon in the business landscape. Today's talent, especially millennials with higher expectations of their employers than ever, pore over the rankings. But unless the designation "great" identifies a genuine state of affairs inside the organization, such rankings don't mean much.

For example, candidates increasingly consider a potential employer's performance in corporate social responsibility – not simply its external philanthropy, but its genuine commitment in daily operations to issues like sustainability, diversity and inclusion, and community impact. Further, they want to be part of an organizational purpose that is connected to more than the bottom line. As of 2025, millennials will make up 75% of the workforce. For them, purpose, at least at this point, is more important than organizational status or financial success, "One of the most effective levers we've relied upon to engage and attract some of the market's best talent is our mission to help solve the world's biggest educational issues," says Paulo Pisano of Pearson. "There is a real sense of social cause, which is very attractive for top professionals who not only want to work in a highly professional international environment but also want to make a real impact on society."

Top CHRO's, enjoying more oversight for corporate social accountability and for diversity and inclusion, will need to have an abundance of one of the chief characteristics of successful change agents: the ability to influence and drive accountability across the organization to make the employer brand-promise real.

Innovate in engagement and retention strategy

Given shrinking leadership talent pools, companies need to find ways to not only attract but retain and engage their best. Though many companies are willing to pay a premium for top talent, the most promising executives in any organization are likely to be approached with attractive external opportunities at any moment. And with the globalization of most major industries, talented executives are more in demand in more places than ever. The loss of key talent and the time it takes to replace them is costly and slows the speed with which a company can adapt to increasingly rapid changes in their markets and among their competitors.

Most of the ingredients of effective engagement and retention programs are well known: offer challenging work and competitive compensation, create exciting development opportunities, recognize accomplishments, and enable work/life balance. Innovative CHROs are finding ways to radically transform what it means to be connected to a company. Several companies are asking new hires to refine their own job descriptions and write their own career plans and then providing them with the appropriate executive sponsors. A leading software company is combining the top HR and IT roles in the role of CHRO, in part to ensure that employees have the top tools available to them in order to remain at the cutting edge. Another offers its young, talented millennials mutual monthly personal performance feedback as a retention strategy. And several of the largest, fastest-paced technology companies are limiting the exchanges of emails and texts on evenings and weekends and starting meetings with meditation moments, bringing a "mindfulness" orientation into their cultures – an orientation which an increasingly compelling body of research has shown to have positive effects for work/life.

Refocus leadership development

Companies are now turning increased –and long overdue – attention to leadership development. As the great recession recedes into the past, the talent pool at the top diminishes in the face of the retirements, and the changing needs of the future bear down, investment in developing new types of leaders is both critical and cost effective.

Previous development programs typically proceeded through a series of well-defined steps designed to provide executives with more experience in scope and scale, greater responsibility, and a deeper and broader set of skills. In general, that remains the case. But the disruptive forces that continue to roil the business world are altering the overarching purpose of development. While development still aims to impart experience and skill, the most advanced programs are driven by the increasing need for agile leaders prepared to meet the transformation imperative – leaders who are comfortable with change, learn quickly, and have the capacity to adapt to, and master, discontinuities and disruptions. For example, continuous learning models, enhanced by outside coaching and peer to peer feedback, bring cross-functional teams together to address strategy and develop solutions to pressing business issues real time. IBM, through its CSR program, sends leaders to developing countries to work on social projects – another unique way of shaping transformational global leaders.

Lead continual cultural renewal and organizational reshaping

Exceptional CHROs, and their CEOs, seek to create cultures that are not just designed for high performance but intrinsically drive it. But culture, like strategy, doesn't stand still. Cultures once thought timeless – witness the command-and-control cultures of many post-WWII corporations – can become ineffective or even counterproductive under this changing environment and competitive conditions. Some cultures simply decay, with

their people reverting to undesirable habits and behaviors that undermine the business. Even the strongest cultures must be vigilantly maintained and continually renewed if they are to remain viable. Today, some technology companies are challenging the traditional pyramidal hierarchy to create an organizational design that reflects the networked world we live in.

For today's CHRO, the challenge is complicated by the differing cultural traditions and work styles that globalization and diversity have increasingly brought into the workplace. During the early years of globalization and the first stirrings of diversity, organizations often tried to force-fit everyone into the mold of a monolithic culture. Today, however, company leaders recognize the business value of diversity of all kinds, actively seek it, and work on the inclusion of that diverse talent in the organization's culture. The challenge for CHROs, in collaboration with CEOs and Chief Diversity Officers, is to accommodate individual cultures without forgoing the competitive advantage of a consistent corporate culture. For these companies, a common purpose that unites all can become the rallying cry to drive corporate culture across the globe.

The sheer scale and speed of technological and demographic changes, coupled with unpredictable global dynamics, has exponentially multiplied the urgency of business-led talent strategy and transformative talent management. In a world where competitors can quickly achieve parity against each other, companies will have to adapt to increasingly rapid changes in their markets, among their competitors, and in the supply of talent. Like outstanding CEOs, CHROs must be able to manage that future – to foresee it, prepare for it, and oversee the transition to it. Combining a keen sense of business and the ability to continually transform talent and renew the organization, these chief change officers will be the critical enablers of strategic, operating, and organizational models as they continually evolve. Like CEOs themselves, these exceptional CHROs will be critical for the organization's ability to successfully address the imperatives of transformation.

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Heidrick & Struggles HRO Practice

Heidrick & Struggles' Human Resources Officer Practice experts understand that HR leaders face a confluence of trends that will shape the workforce of the future and change the very nature of work itself including:

- The accelerating rates of disruptive change.
- The rise of emerging markets.
- An increasingly borderless, multi-generational, global and cross cultural workforce.
- The impact of the independent worker.
- A limited supply of top talent.
- Asymmetrical growth opportunities combined with significant skills / needs gaps in many regions.
- Exponentially greater complexity in operations, technology and big data, and risk and compliance.

Our HR executive search team works with clients to ensure that HR leaders and their teams are equipped with the right qualifications to lead and manage in this rapidly changing environment, with the adaptability, insight and operating skills to have impact on business results. Similar

to any line function, these roles demand strong business acumen, strategic and market insight, financial savvy, operational capabilities, and the ability to exploit data and technology.

The HR executives of the future will have the credibility and advisory skills to interface with the board and to partner with the entire leadership team. They will be tasked with a complex challenge, to build culture and value, mitigate risk, and plan for the future state of their organizations – leveraging an integrated talent management approach and anchored by deep functional and technical knowledge.

Through our work, we advise boards, senior management teams and HR executives themselves on how to identify and select the best leadership for the function, and align with our Leadership Consulting colleagues in helping to optimally shape the HR organization. We view our work as essential to the success of today's increasingly global organizations, providing a true and lasting competitive advantage.

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WE HELP OUR CLIENTS
CHANGE THE WORLD,
ONE LEADERSHIP
TEAM AT A TIME™

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