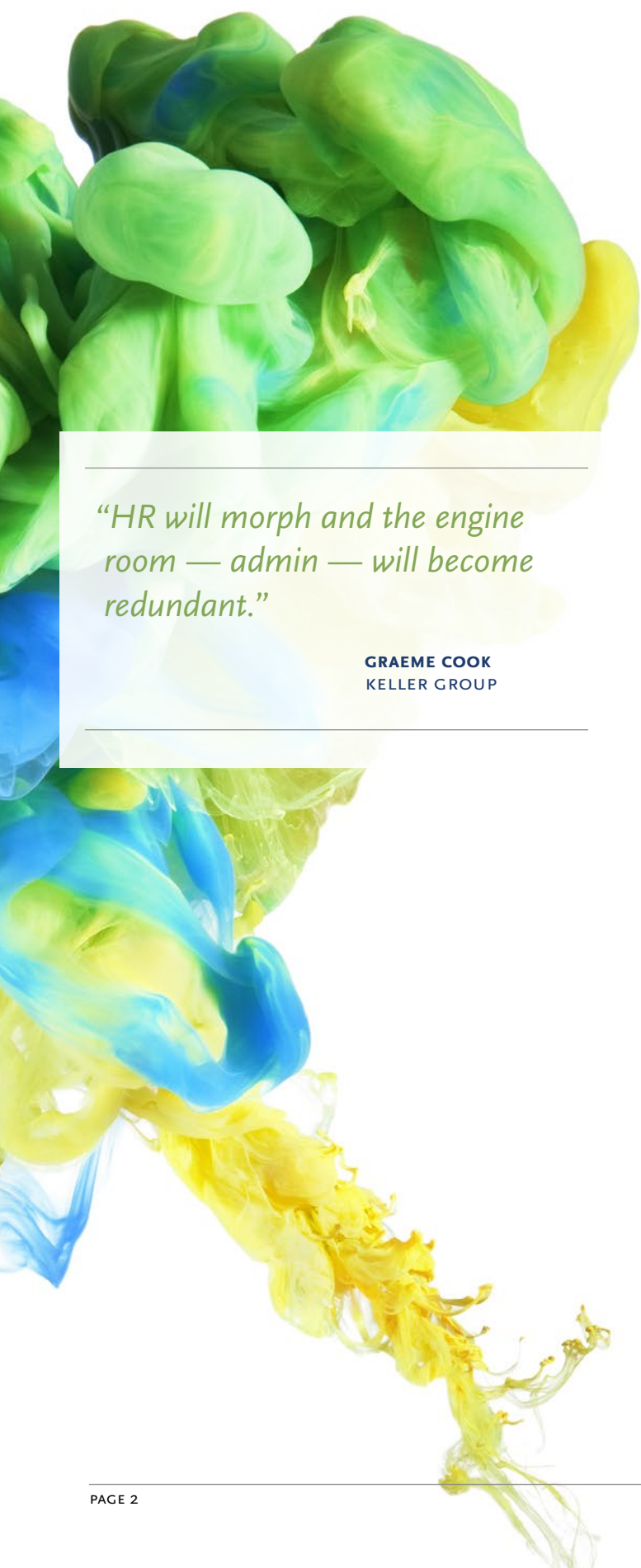


CHRO 2025: How HR leaders are preparing for change

Successive waves of global disruption — political, social, demographic, technological — are compelling today's CHROs to consider how they may safely bring their organisations, and specifically their people, through the turbulence. But that disruption also presents an opportunity for them to examine how, and how swiftly, their own roles must change.

We talked to 15 chief human resources officers from across the EMEA region about the challenges they face, in order to gauge what the CHRO of 2025 might look like. It is apparent that expectations of how the HR function needs to change are outpacing the speed at which the profession is actually upgrading.





“HR will morph and the engine room — admin — will become redundant.”

GRAEME COOK
KELLER GROUP

EMBRACE DISRUPTION

If the CHRO is going to carry weight in the C-suite, this seemingly perfect storm of upheaval demands an agile and complex response. That overhaul is already under way, as more and more boards — and CHROs themselves — recognise that a transformational CHRO need not come from an HR background. Increasingly, CEOs expect their CHROs to bring strong business acumen and an understanding of how the organisation makes money — and how that feeds into top-tier decision-making.

As technology such as AI, predictive analytics and block-chain automates and streamlines significant parts of HR, the CHRO of 2025 will be open to technology’s role in bringing greater capacity and value to what will very likely be a more focused HR function. An intelligent, forward-looking response to fast-evolving expectations of HR’s role can strengthen both its visibility and viability.

Hein Knaapen, chief human resources officer at ING, is steering his HR function through a major transformation from local admin to global services. “Our HR function is in a state of continuous development, steering away from our federated legacy towards offering global solutions. For this we need more data analysts and the ability to formulate the right questions for them to work on. We also need more innovation in the function.”

Our discussions crystallised how safe navigation of these many disruptive changes demands the focus of HR leaders to shift from hands-on administration to strategy. An insular function will struggle to contribute: rather, the tech-aware, business-focused CHRO of 2025 will seek to promote flexibility in their organisation by breaking down hierarchies and streamlining processes.

THE FUTURE OF WORK

Profound changes are refashioning the future of work and anticipating that future is a formidable test. Yet it should be welcomed as a strong accelerant to positioning the most able CHROs at the forefront of defining how the workforce must evolve to meet each fresh upheaval.

Fundamental changes such as the elimination of fixed workplaces, the merging of personal and professional lives and the virtualisation of the working world will place immense demands on HR processes and their fitness to cope with people and talent management, leadership and cultural development.

BUSINESS IS EVERYBODY'S BUSINESS NOW

Many CEOs are already recalibrating the skillset they will expect from their CHROs in 2025 — the primacy of business ability, alongside a grasp of technological possibility, is evident in the way they view the function, just as it is among the CHROs with whom we spoke.

CHROs should have plenty of business acumen if they are to play a central role in the evolving strategy of any organisation. The emphasis of every CHRO's core capabilities will have to shift to that of a business leader first and foremost.

The time is over, says Bombardier group vice president human resources Petra Angstmann, for “thinking admin and serving, instead of supporting and thinking business”.

Keller Group's group human resources director, Graeme Cook, argues that business gravitas elevates a good CHRO to an excellent one: “It's about how they carry themselves as a business leader, not as a functional leader”. Such gravitas also encourages the trust of peers, and by 2025, he adds, will have made HR leaders far more central to the C-suite.

Chris Van Steenberghe, chief human resources officer at Heineken, believes that “the kind of credibility that comes from knowing the business, talking the business's language,” is becoming non-negotiable. “One way to get that credibility is by having been a business leader yourself.”

Thus, if a CHRO does not thoroughly understand the business, they will struggle to contribute at the highest level. If by 2025 the HR function is to take its rightful place at the heart of business strategy, then organisations must concentrate on recruiting people into the function who are willing to pursue more than a single-stream specialism — people who are potential general managers.

As the CEO of a large German business told us, “In 2025, to be an excellent HR director you will need to have strong business understanding plus digital and transformation skills,” augmented by the ability “to manage parallel worlds and be aware of legal and regulatory frameworks.” In a world where strategic goals are frequently being reset, ambidexterity — recognising when to accelerate, when to change and when to maintain course — becomes critical.

Andreas Hugener, chief human resources officer at Swissport International, says that “HR teams today are still far too absorbed in operational and transactional tasks such as administration and payroll,” a view echoed by many of our interviewees. “The continuing digitization of all business processes is the game-changer. It enables us to automate a growing share of our processes and frees up capacity to shift our focus from transactional tasks to actual value creation for our employees and the company — more forward looking, and nimble in unlocking growth potential. Going forward we see more fluidity and less functional separation. The HR function will change fundamentally,” he says.

DATA IS YOUR FRIEND

The CHRO of the future will have to harness data and analytics and cultivate a full understanding of available tools and digital strategies. Not only will these tools offer the function increasingly sought-after efficiencies, but also result in a range of benefits spanning recruitment, retention, motivation and employee engagement.

Several CHROs we spoke to described their function's use of analytics and technology as so accomplished that their CIO colleagues were using data that was coming out of the talent resource. To avoid internal friction around data ownership, it is critical for the CHRO and the CIO to define clearly how they will work together.

That said, many of those who joined our discussions observed that the HR function is still insufficiently engaged with technology, data and analytics. Phil Read, senior vice president, human resources, at Tetra Pak, notes that the effective CHRO will understand not only how to marry data analytics and business judgment, but will have the confidence to use that skill to influence business decisions and to drive the agenda. "There's no need to be a tech geek but you do have to understand how HR fits into a digital world," says Read.

DOWN WITH SILOS

Effective responses — technical and otherwise — to unprecedented disruptive forces can only be achieved collaboratively across an organisation. Internal competition is unhelpful, not healthy.

Hierarchies and boundaries are in a state of flux. As silos disappear, CHROs should aspire to champion how ideas are shared and cross-fertilised inside an organisation. This will require credibility and integrity on the part of the CHRO, as well as strong communication skills, in addition to the kind of strategic, change and innovation capabilities demanded elsewhere in the C-suite.

THINK LIKE A CEO

In order to understand how the nature of work will change over the coming years, CHROs will have to adopt a more externally facing approach to their role similar to what we observe in the most successful CEOs.

CEOs thrive on the value of networking with other CEOs and are not afraid to benchmark themselves against their peers. By acting as ambassadors for their own organisations, they share and receive high-quality insights across a range of businesses, industries and indeed countries they might not otherwise encounter.


If some HR leaders have not prioritised networking with their peers in the past, now more than ever they need to expose themselves to cutting edge thinking in order to be able to anticipate the direction work will take under the rapid adoption of digital, AI and analytics. Outward facing CHROs tend to be intellectually curious, open to learning and eager to explore possible sources of best practice, for example by engaging directly Silicon Valley tech companies.

FOSTER A LEARNING MINDSET

External networking is not the whole story. Instead, many CEOs expect to see their functional heads eager to learn from multiple sources at all levels in their organisation. CHROs therefore need to embody open-mindedness, inquisitiveness and inclusivity if they are to lead their HR function through the next phase of digital transformation.

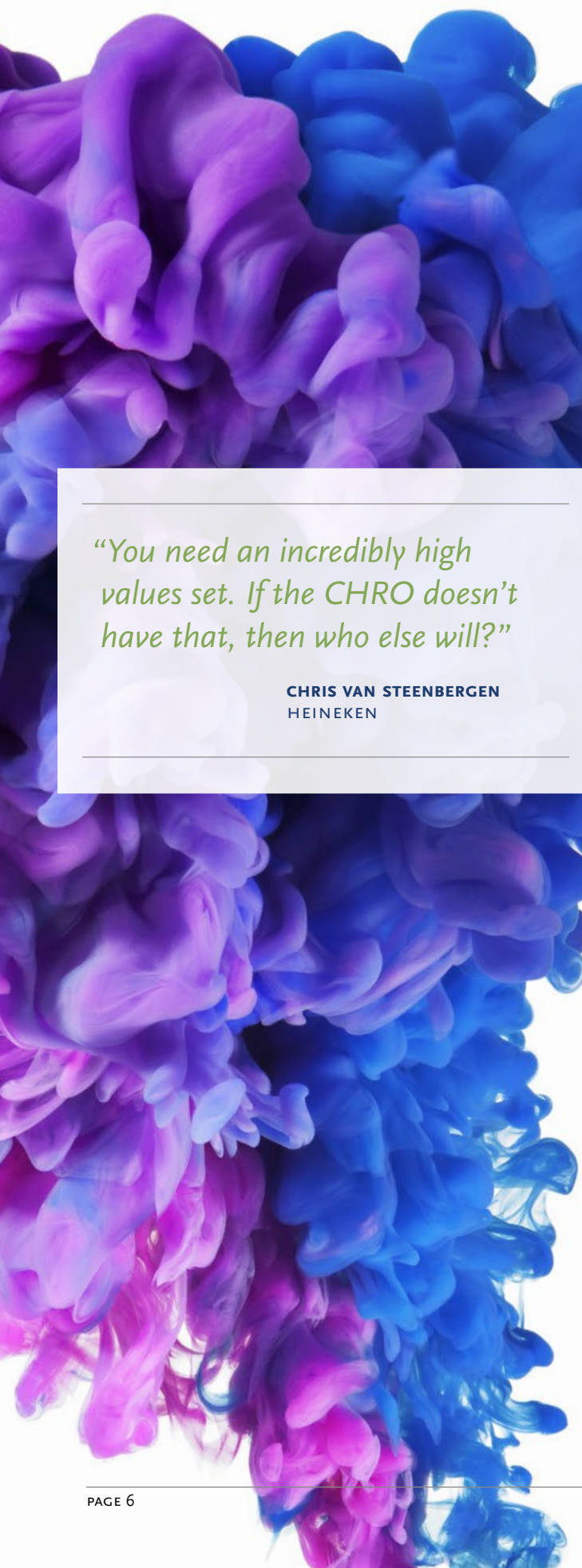
The organisational culture expert Edgar Schein describes this kind of healthy learning culture as encouraging a mutual attitude of “humble inquiry”. By 2025 all CHROs must hope to foster a work environment imbued with a powerful sense of spirited curiosity — a culture of learning that endorses the idea that it is possible to learn from any person anywhere in the organisation at any time.

Helmut Schuster, EVP, group human resources director at BP, believes it is vital to create a more forward-looking working environment. “This means reading between the lines, exploring societal trends in different cultures and how they relate to the business. The CHRO must be thinking about mega trends; reading voraciously; learning about things like 3D printing, blockchain, IOT; attending events.”



“As guardian of the people, the CHRO will need to be a renaissance person, comfortable in the realms of science, IT, behavioural economics and more.”

HELMUT SCHUSTER
BP



“You need an incredibly high values set. If the CHRO doesn’t have that, then who else will?”

CHRIS VAN STEENBERGEN
HEINEKEN

DEVELOP AND RETAIN TALENT

Some of the CHROs we spoke to advocated cooperating with other companies to give high-potential staff opportunities for rotation into non-HR fields — a model that can act as a powerful retention motivator for talented staff.

“We must be progressive in how we partner up with our suppliers, vendors, and other organisations and do more talent exchanges, bringing talent back once they’ve been exposed to a range of different experiences,” says Abbe Luersman, chief human resources officer at Ahold Delhaize. “Talented employees are going to expect work to be more fluid and flexible — they’re going to expect work to be defined differently.”

This rejection of the narrow HR career path and enthusiasm for professional experience outside the function is welcome. It is closely related to the growing idea of bringing people into the CHRO role who have been exposed to other functions and who can demonstrate business acumen in addition to technical expertise and broad-based functional knowledge. We are also seeing greater value being placed on those who have been exposed to customer-facing roles, as well as those with overseas experience.

A core aspect of retaining talent is assessment, specifically for the purposes of development and to discover where talent might effectively be redeployed. Willie Smit, chief human resources officer of Nyrstar, believes that the speed at which organisations develop talent is too slow to keep pace with what lies ahead. “There needs to be heavy investment in the assessment of people, since we have only scratched the surface of developing the potential the talent that is there. We must also have a more flexible approach to talent management, moving people around the business — the days of keeping someone in a role for 3–5 years are gone,” he says.

Martha Desmond, chief human resources officer at Apollo Tyres, believes that the way HR skills are being taught is too theoretical. “It is a much more fluid, ambiguous world today. We also need to have more learning innovation to replace traditional and outdated methods such as classroom learning.”

INTERNATIONAL MINDSET

Globalisation continues to ask big questions of CHROs, who increasingly must bring to the role an international mindset and cultural sensitivities that come from having lived and worked overseas — how else to relate to an increasingly global workforce?

Geoff Tranfield, group human resources director at IMI believes that the in 2025 CHROs will not only need to be deeply commercially savvy, but also “have an acute sense of emotional intelligence and the intercultural sensitivity to be able to communicate authentically and clearly with all parts of what will be in many cases complex global businesses.”

For Des Thurlby, group director of human resources at Petrofac, having a global outlook and sensitivity to cultural differences is critical. He also points out that the modern CHRO has to understand and be able to articulate the differences between various cultures that may exist within the organisation, while working towards the creation of a single company culture.

Yet while it is important for companies to aspire to a coherent business culture, they must not trample on regional/local nuances by trying to impose a one-size-fits-all culture from the head office. A course has to be plotted in which local cultures can thrive while dovetailing with the overarching culture and aims of the organisation.

Aligning people, strategy and culture demonstrably supports business performance — yet understanding how they fit together can be hindered by different and sometimes conflicting definitions of culture. A detailed analysis of the relationship between leadership, organisational culture and strategy can be found in *The Leader’s Guide to Corporate Culture*, published in the *Harvard Business Review*.

NEW SKILLS, NEW EXPECTATIONS

Demographic shifts are having a significant impact on corporate culture. New generations are entering the workforce with different sets of expectations around work.

The ability to navigate generational expectations is pressing, says Karin Bertschinger, head of human resources at the University of Zurich, not least because “today’s leaders may struggle to lead and even manage the next generation. The expectation gap is increasing and we need to work mutual recognition, effective collaboration and sharing commonalities of purpose.”

And precisely as millennials come to dominate the workplace, their older colleagues — with different skills and expectations — are extending their working lives. Heineken’s Van Steenberghe noted that these younger generations are more demanding in what they expect from a company than their older colleagues, “in terms of the culture that they are looking for and in terms of going to companies that have a really good purpose”.

Helmut Schuster at BP says that one of the major challenges is the growing focus on stakeholders beyond the shareholder community. Companies will have to pay close attention to their social licence to operate and the impact they have on society. This means playing a role in education and social mobility, for example, creating partnerships with STEM academies to bring people who have not had elite educations into the business, and through HR apprenticeships.

Organisations will have to work harder than ever on positioning themselves as employers of choice, and the CHRO of 2025 will need to understand how work practices are shifting to reflect the expectations of millennials and indeed their Gen Z successors, who will be in the workforce by 2025.

“By 2025 the CHRO will be something of an organisation architect,” adds Phil Read at Tetra Pak, “with a wide range of professional skills and knowledge about how organisations are structured and how culture drives performance.”

Organisations will continue to compete for skills and resources. Unfortunately, the benefits of a globalised workforce are being undermined by limitations on mobility. CHROs will need to be extremely thoughtful about how they create an environment that will enable them overcome the resulting skills shortages.

IT'S STILL ALL ABOUT PEOPLE

As working patterns evolve and the employer brand becomes more closely aligned to the purpose of the organisation, CHROs will have to ask themselves these questions: What do people want out of the workplace? How do you best motivate them? How do you keep your workforce connected to you as they adopt different, networked ways of working?

Arne-Christian van der Tang, chief HR officer at Tom-Tom, argues that the modern HR challenge is to create a differentiated employee experience — people services are moving away from traditional HR. Yes, you need to be able to “connect the dots within the organisation”. But the best way to improve employee engagement remains to “make sure you’re an outstanding employer.”





*“Human beings will always be
the most complex machines in
any business.”*

DES THURLBY
PETROFAC



TEN KEY CHARACTERISTICS OF CHRO 2025

1 SOCIAL SKILLS

Waves of disruptive factors do not erase the fact that HR is about people. Integrity, empathy, human understanding, good judgment and independent thinking remain essential to the credibility of any HR leader.

2 COMMUNICATION AND NEGOTIATION

The CHRO must demonstrate they have the communication and negotiating skills to allow them to convey clarity, confidence and influence at all levels of their dealings. That means talking, being a moderator, but without losing sight of the assertiveness to follow through on strategic decisions. Articulating the company mission and strategy clearly is critical at a time when the waves of change-driven initiatives may seem endless to all levels of an organisation.

3 BUSINESS ACUMEN

Preferably achieved by meaningful time spent working on the business side of an organisation, and allied to a clear understanding of how a business makes money. This aspect is fast becoming at least as evident in the modern HR leader than previous HR experience, as boards recognise that a CHRO is more valuable as a strategic partner and innovator rather than an overseer of processes. In addition, understanding profit and loss, being able to read a balance sheet, accelerates how a CHRO is able to align HR with overall business strategy.

4 DIGITAL-AWARE
Confidence in technology and data, and openness to the contribution they can make to a business when harnessed to free up the HR function rather than encumber it. Willing to identify and then delegate tech strategy in innovative and assertive ways. Proven transformation skills in this realm.

5 EXCEPTIONAL NETWORKING ABILITY
As global changes make their presence felt in the HR suite, the successful CHRO will be exploring how and where that outside world is taking the function. That wide-angle view of the world is also what characterises the outward-facing spirit of exploration and engagement seen in so many successful CEOs. A well-networked CHRO possesses a wide set of connections both in and outside their organisation, knowing that it plays a key part in understanding the big disruptors — current and future — that are changing business.

6 STRATEGIC THINKING
The CHRO will be a willing partner in driving strategy and delivering insight, in and outside the organisation. Just as business has radically changed shape, so too has the workplace. The HR leader has to be a trusted advisor to the CEO on what this means for the business.

7 DRIVER OF INNOVATION
Beyond identifying where — and what — disruptions are pushing the future of work, a CHRO also has to show that he or she understands their implications and that they possess superlative change management skills capable of identifying and driving the innovations needed to survive the upheaval.

8 CULTURAL FIT, CULTURAL CHANGE
The CHRO needs to forge relationships of trust and confidence with the CEO and board chairman in particular. Over and above this, he or she has to be an excellent fit with the corporate culture of the organisation, allied to an unerring instinct for identifying its more nebulous characteristics — and for fixing them when needed. They should demonstrate the clear ability to drive cultural change at an organisation.

9 INTERNATIONAL EXPERIENCE
Boards increasingly value this facet in a CHRO. It shows the kind of openness and international mindset that allows the cultural nuances of a diverse workforce to thrive, rather than flattening them into shape to fit a wider organisational culture. Someone who has lived and worked overseas is also likely to have a heightened level of adaptability, a spirit of curiosity and on-going thirst for knowledge and experience.

10 TALENT TRACKING
Demands for talent grow ever more specific and urgent. A good CHRO will initiate ways to track high-performing individuals into a variety of business-critical streams, for example, by rotating them through a variety of functions. Nor are they afraid to accomplish this by partnering with outside organisations to deliver talent exchanges — recognising that such opportunities are significant levers of retention. And it is this kind of openness and collaboration that reinforces the mark of a confident, learning-oriented CHRO.

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