

The State of Today's CHROs

Today, a day in the life of a world-class CHRO is much different from in years past. Now, a top-level HR leader may spend the day discussing digital transformation with the CEO, preparing for a complex meeting with the compensation committee chair, poring over data analytics and/or mentoring a high-potential executive.

As technology, globalization and shifting political paradigms have fundamentally impacted business, human resources can no longer operate in a transactional capacity. Now, HR needs to operate as an integral part of a company's leadership, providing essential strategic insight and helping to drive business outcomes.

Accordingly, expectations for CHROs have increased as well. HR leaders are expected to be analytical and financially literate in order to present compelling points of view on business strategy and to operate as true peers on the executive team. Highly respected CHROs will articulate the company's vision and strategy so they can be a proxy for the CEO with key audiences, such as community leaders, trade organizations and employees. That's in addition to the already-required experience in talent management, total rewards, training, compliance and HR operations.

To gain a deeper understanding of how the CHRO position has changed and how HR leaders can be more effective within their own function, we examined trends within the HR field and the backgrounds of Fortune 100 CHROs. Here, we highlight four of the most important requirements affecting CHROs and how they can enhance their knowledge in these areas.



CHROs by the numbers*

Common paths on the way up

40%
Employee/Industrial Relations

33%
General Management Experience

33%
Rewards

22%
Talent Acquisition

OBTAI**N** BUSINESS EXPERIENCE AND PROVIDE STRATEGIC INSIGHT

Business experience has become a must-have for the modern CHRO, with CEOs consistently saying, “I need a business person who also happens to be functionally literate in HR.” That sentiment may diminish the importance of deep expertise in HR practices and processes, but the point remains: CEOs want savvy HR leaders who have strong business and financial acumen. Beyond those requirements, CHROs should help drive innovation and “see around corners” to offer proactive solutions to business problems.

To meet this demand, more CHROs are cultivating a wider range of experience, according to Spencer Stuart research: 33 percent of Fortune 100 CHROs have general management experience, compared to 22 percent three years ago. There’s also a desire for the intangible experience — and cultural awareness, diversity and adaptability — that comes from working abroad: 36 percent of today’s CHROs have on-the-ground international experience, compared with 23 percent three years ago.

CHROs can improve their own ability to engage on key operational and strategic challenges by collaborating with other senior leaders, such as working with the CFO to gain exposure to financial planning and analysis. And to ensure their teams are gaining diverse experience and are developing successors, CHROs should create rotations for the HR function that expose them to budgeting and compensation planning, as well as experience in other parts of the business through cross-functional or line assignments.

The CHRO also plays a critical role when it comes to building a talent pipeline, which is especially true in **CEO succession**. It can be difficult to navigate the responsibilities the CHRO has to the board and CEO in these situations, as emotions and political dynamics become more intense as a transition nears. But a good CHRO must work closely with the board to ensure the organization has a well-established succession plan and a smooth CEO transition.

BE A CONFIDENT SPOKESPERSON FOR — AND TO — THE CEO AND YOUR PEERS

Effective CHROs have the ability to represent the CEO, translating and articulating the CEO’s vision to employees and helping to “market” and gain buy-in from the organization on key initiatives. The CHRO also plays a significant role in branding the organization in the talent market, as well as “selling” the organization to current employees. The ability to tell a cogent story about the company’s direction and priorities is a crucial element of the job.

* Spencer Stuart Fortune 100 Research

CHROs by the numbers*

Average tenure is

5 Years

53%
are female

44%
of internal promotions
spend more than 10 years
with the organization

As companies adapt to the ever-shifting business landscape, they are bound to make changes — sometimes drastic. CEOs will look to CHROs to manage the narrative of these transformations, which puts a high emphasis on an HR leader's ability as a storyteller. Similarly, employee communication must be aligned with external communication and social and business-oriented media. Thus the CHRO has become increasingly allied with the chief marketing officer.

Company leaders also need CHROs to provide candid, truthful insight into strategic matters. Because they have contact with top leaders, middle management and front-line employees, CHROs learn a great deal about dynamics throughout the company. It can be difficult to balance the communication between the CEO, board, shareholders and employees, but a savvy CHRO will learn to navigate these relationships and ensure clarity at all levels.

The best CHROs are able to gain insights throughout the company while maintaining people's trust; they do this by keeping confidences, being a willing sounding board and lending an empathic ear. A genuine partnership requires taking an independent viewpoint and a clear-eyed, objective perspective on issues such as new initiatives, CEO succession and executive compensation.

DEVELOP A STRONG NETWORK AND KEEP GROWING

Because the environment is so fluid, CEOs want CHROs who are constantly seeking new information and looking to expand their knowledge. The most effective CHROs strive to be lifelong, agile learners and actively seek input and feedback from their executive-team peers, subordinates and colleagues in and outside of the company. They also develop a strong HR team and are aware of capability gaps, ensuring their internal pipeline remains strong and maintaining a strong knowledge of internal strengths and weaknesses.

It's also important to build an external network of advisers in order to learn the intricacies of the position from more-experienced CHROs or see how other organizations are addressing similar challenges. By keeping current on trends and best practices, the CHRO will in turn be a trusted resource to the board, executive team, association peers and beyond. CHROs also may consider taking advantage of "reverse-mentoring," where more experienced executives partner with younger, social-media-aware and tech-savvy talent to stay abreast of the latest digital trends.

* Spencer Stuart Fortune 100 Research

CHROs by the numbers*

34%

have lived/worked
outside the U.S.

20%

have board experience

18%
are diverse

BE FLUENT WITH HR DATA ANALYTICS

As data analytics and digital technologies transform businesses and functions, CHROs increasingly are expected to leverage data to develop talent management plans that support business strategy.

To be clear: CHROs already have access to a wealth of employee data. But it's not enough to just understand the HR data on-hand — CEOs seek HR leaders who can apply insights from data to identify and respond to emerging challenges. It's increasingly important that CHROs use data that will either solve a problem in the business, or support key revenue and profitability levers by being able to articulate and demonstrate existing opportunities. So, for example, if a company has turnover in excess of the industry standard, the CHRO should be able to examine the data to understand where it's happening on the employment continuum, what's causing it and how to address it. New data sources and predictive analytics also provide ample opportunities for CHROs to make forward-looking observations about HR trends and needs.

CHROs who can interpret data and use it to understand what drives business performance can help recognize — and plan for — changes in the business cycle. The ability to propose solutions by employing workforce analytics and modeling to see trends early, as well as anticipate and plan for change, is truly a valuable trait.

CONCLUSION

CHROs have diverse constituents, including the board, the CEO, the leadership team, the HR team and the company's employee base. Each of these groups is evolving at a fast pace, as is the business world. The CHRO's duty is not to passively observe the changing environment and maintain a static HR practice, but to be forward-looking and ensure human capital supports — and perhaps leads — the business' long-term goals. Successful HR leaders serve as true partners with these constituents and ensure that they have development plans in place for themselves and their teams. The CHRO must develop business acumen and apply insights from HR data to the main challenges of the business. It's a difficult role, but a determined, thoughtful CHRO can undoubtedly be successful — and help lead a business to success.

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* Spencer Stuart Fortune 100 Research

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