



Staying on the Leading Edge

Five important qualities for aspiring chief human resources officers

So you want to be a CHRO. That's an admirable goal, but keep in mind that the responsibilities of the CHRO have expanded dramatically over the last few years.

Now, CHROs are expected to provide important insight and support business goals through strategic initiatives, talent acquisition, management and development. To stay abreast of new trends, an aspiring CHRO must constantly evolve and be knowledgeable about myriad issues, including: the global workforce, analytics/digitization, succession planning, culture, executive compensation and more. Those skills are in addition to the expertise the position already requires, such as talent evaluation, compensation strategy and diversity planning.

To see how CHROs are adapting to this ever-changing landscape, we looked at the backgrounds of CHROs in Fortune 100 companies and examined the trends that are impacting the function. We see five developments that are likely to influence the profiles of future CHROs — and the capabilities and experience aspiring HR leaders should be developing.

CHROs by the numbers*

Common paths on the way up

40%

Employee/Industrial
Relations

33%

General Management
Experience

33%

Rewards

22%

Talent Acquisition

DEVELOP A DEEP UNDERSTANDING OF THE BUSINESS

It's rumored that many CEOs believe the most effective CHROs come from non-HR backgrounds. But when it comes to hiring CHROs, leaders coming up through the HR function continue to be favored — the number of CHROs with no HR experience has increased by only one percentage point over the past five years, from 13 percent to 14 percent.

Ultimately, what CEOs are looking for are CHROs who have a broad base of business experience and can use data to provide strategic perspective for the business. That level of business acumen and big-picture thinking often comes from taking a non-traditional route to HR leadership, including assignments in operations or in managing a P&L. Another way to develop relevant experience is to rotate through other functional areas of the business.

An ideal CHRO has a strong sense of the business strategy and can utilize data to provide proactive insight. According to our research, 33 percent of Fortune 100 CHROs have general management experience, compared with 22 percent just a few years ago. There's also a desire for the invaluable 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.

BECOME MORE EFFECTIVE IN THE BOARDROOM

The most effective CHROs work closely with their boards on succession planning, executive compensation and talent management, so aspiring CHROs will want to gain experience in these areas. Executive compensation, and the compliance and investor issues surrounding it, is a particularly loaded topic, so a CHRO who can speak to the external perceptions of executive compensation and help boards navigate that complicated terrain provides a valuable service.

CEO succession is also a complex issue for boards, and the CHRO must be an advocate for best practices in succession planning. This includes creating a plan to help the board consider strategic direction, company culture, profiles of the organization's future leaders and a roadmap to help the current team develop. Thoughtfully developed CEO criteria provide direction for internal candidate development plans and a framework for selecting from among finalist candidates.

* Spencer Stuart Fortune 100 Research

CHROs by the numbers*

Average tenure is

5 Years

53%
are female44%
of internal promotions
spend more than 10 years
with the organization**ESTABLISH CREDIBILITY WITHIN THE C-SUITE**

CHROs have long been seen as advisers to CEOs, but their influence is growing and they're increasingly viewed as important members of the C-suite. To further boost their impact, though, they need to cultivate credibility on the key business challenges facing the organization and develop the ability to impact the leadership team by contributing to the long-term business strategy.

Because they have contact with top leaders, middle management and front-line employees, CHROs learn a great deal about the dynamics throughout the company. It can be difficult to balance the interests and needs of the CEO, board, shareholders and employees, but a savvy CHRO will learn to deftly manage these relationships. The best CHROs are able to gain insights from all areas of the company while maintaining people's trust; they do this by keeping confidences, being a willing sounding board and lending an empathic ear (not to mention giving thoughtful advice).

Another way for CHROs to add impact is to help evolve the company culture. Previously, culture was often considered the sole responsibility of HR. Today, culture is viewed as a business priority and must emanate clearly and consistently from the top. A valuable CHRO can ensure culture is understood by the company's leadership ranks and can help top leaders define — and reach — future cultural goals.

CREATE EXTERNAL NETWORKS AND PLUG KNOWLEDGE GAPS

The field of HR is constantly changing, as is its role within the larger organizational structure. To stay abreast of new trends and developments, HR leaders aspiring to become CHROs should develop relationships and networks with other HR leaders. Those with the most potential to move into the top role should increase their knowledge by attending HR seminars/training programs, reading academic and leadership journals and maintaining strong ties with mentors across industries.

Because business knowledge and experience is so vital, aspiring CHROs should identify their own gaps in knowledge and experience and find ways to rotate into (or partner with) other functions to learn the business. By becoming an expert in the HR field and the business, the CHRO will be seen as a trusted resource to the board, executive team, professional association peers and beyond.

Aspiring CHROs also may want to look into "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

BECOME FLUENT WITH DIGITAL AND ANALYTICS

As analytics transform businesses, it's increasingly important that CHROs have fluency with data and digital transformation to improve HR processes and support business strategy. Companies are using digital technologies and analytics to optimize performance and become more competitive. As a result, they seek HR leaders who can apply insights from data to identify and proactively target emerging challenges or support key revenue targets through talent. New data sources and predictive analytics provide new opportunities for HR leaders to support talent acquisition and boost learning in support of business objectives. HR leaders also will want to stay abreast of developments in digital-management practices to better support agile organizational design.

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. This ability to propose solutions, by employing workforce analytics and modeling to see trends early and predict trends, is a truly valuable trait.

To strengthen their facility with data, aspiring CHROs may have to partner with technology and analytics teams to develop methods for using data relative to HR issues. Human resources teams often begin to use data by setting small, specific objectives, such as creating advanced hiring solutions.

CONCLUSION

As the business world has changed, the importance of the HR function has increased dramatically. Consequently, HR leaders have several possible routes ahead of them, and being a CHRO is one — but it's not the logical choice for everyone. A divisional HR or center of excellence leadership role can be just as valuable. If aspiring HR leaders wish to pursue the CHRO path, they'll need to develop strong business acumen and a good rapport with the board. They will also need to have exemplary knowledge of governance issues, external relationships that help fill knowledge gaps and stimulate forward thinking, and fluency with digital and data. These qualities will help today's divisional HR executive transition into a CHRO who can implement sound strategies for managing long-term change.

Authors

Claudia Kelly (Stamford), **Deborah Warburton** (London),
Jim Carty (Atlanta)

* Spencer Stuart Fortune 100 Research

ABOUT SPENCER STUART

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 58 offices, 31 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

For more information on Spencer Stuart, please visit www.spencerstuart.com.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.

