THE CHRO OF THE FUTURE

How to Get There from Here

THE CHRO OF THE FUTURE

How to Get There from Here

We often talk about the future, but how often do we describe it?

Imagine someone who leads a high-impact HR organization: In the near future a CHRO—or Chief Employee Experience Officer, as they're now known—connects to an earnings call to help the CEO explain how newly deployed people programs helped drive the latest upside earnings surprise. The CHRO then enters a virtual-reality upscale conference room in a Tokyo hotel for a press briefing. The CHRO apologizes in Japanese (through a real-time "hearable" translator that everyone now wears discreetly in their ear) for being a minute late before sharing innovative plans for closing the skills gap via continuous workplace learning across Asia Pacific. The CHRO then goes to a high-profile dinner with the company's top European shipping and logistics customers to get a better sense of how driverless trucking and fully automated shipping continues to shape their company culture and business needs.

If anything, the scenario above is on the conservative side, and any prediction on what we'll do in the future is much safer than how we'll do it. After all, the human need to connect, communicate, and feel a sense of purpose at work isn't slated for obsolescence anytime soon.

In "Disrupting the CHRO: Following in the CFO's Footsteps," Deloitte authors note that using the CFO as a model—once a back-office administrator and now a valued strategic partner—is especially timely for HR leaders. After all, CFOs became far more important when it became clear that the movement of money, all by itself, can create value for a company. Now, with our economy becoming increasingly more knowledge-and service-based, the movement and application of people is what produces the most value for companies. In fact, in 2010, intangible assets made up 85 percent of a company's value—up from 40 percent in 1982. We're confident that these figures have become even more dramatic in the last few years.

The movement and application of people is what produces the most value for companies.

If talent is a company's most important resource, it makes sense that the person responsible for finding and keeping talent is vital to a company's survival. After all, getting the best people for your business is far from a sure thing. As the "Disrupting the CHRO" authors write, "For reasons from changing demographics and altering family structures to shifts in generational attitudes and the impacts of public policy, companies can no longer assume they can draw on an ample, let alone abundant, pool of skilled talent to achieve their growth objectives."

In Asia, where HR teams haven't always been able to keep up with the rapid growth of many companies, CHROs have even more of a blank slate—and more motivation—to turn HR into a driver of business results.

In Europe, where the top five challenges for HR leaders identified by The Boston Consulting Group are also the issues that companies are least prepared to deal with, the CHRO of the future has the opportunity to make a tremendous impact.

Skills Required for the New Role

So, if we have a vision of how the CHRO of the future operates, what should be done today to create this hypothetical future? According to the authors of the article "People Before Strategy: A New Role for the CHRO" in the *Harvard Business Review,* predicting outcomes, diagnosing problems, and prescribing actions on the people side that will add value to the business are the three marks of a new generation of exemplary CHROs. But, as the authors write, "Some of these things may seem like the usual charter for a CHRO, but they are largely missing in practice, to the disappointment of most CEOs."

Predicting outcomes will help the CFO and CEO see how the right people in key roles will help meet business and budget goals. In addition, the CHRO should also look outside their own company to assist the C-suite in deciphering their competitors' business strategy.

A GROUNDING IN MORE-QUALITATIVE THINKING IS A BIG PLUS WHEN IT COMES TO DATA-DRIVEN DECISION-MAKING.

As an example, scrutinizing the moves key competitors are making in the talent market can lead to insights. If a software company is suddenly hiring data scientists and user interface experts, it's a good bet that they'll soon be offering analytics dashboards.

The key to predicting outcomes—and for earning credibility with traditionally numbers-oriented counterparts in finance and operations—is analytics. *Analytics* is a buzzword today, so it's helpful to look at what it really means for a CHRO: Simply put, analytics is the practice of using data to answer thorny business questions. Rather than looking for patterns in a roaring data deluge, it's more useful to outline a desired outcome and work backward. Without a solid question to start with, it's easy to get lost in vast amounts of information.

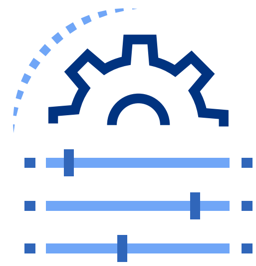
Useful analytics technology and clean data are necessary first steps, but assuming a CHRO does have the right tools to work with, a very basic grounding in statistics—via an online course in people analytics or a working session with the in-house quant—can help avoid common pitfalls. For example, if you compare the performance of managers at two different factories, it's helpful to know that there's more variability in smaller sample sizes. In other words, you're likely to find higher highs and lower lows in a group of 10 managers than in a group of 100. Numbers don't lie, but neither do they tell the whole truth, and the CHRO's grounding in more-qualitative thinking can actually be a big plus when it comes to data-driven decision-making. By using analytics to support decision-making, CHROs can ground their policies and business advice in data, removing some of the "fuzziness" historically associated with HR and putting HR on the same, facts-based plane that finance and the rest of the business uses.

CHROs will take their global understanding of the organization to diagnose bigger, more fundamental organizational flaws.

Diagnosing problems will only happen if you understand the organization and business environment as a whole.

The authors of “People Before Strategy: A New Role for the CHRO” explain, “The CHRO should work with the CEO and CFO to examine the causes of misses, because most problems are people problems. The idea is to look beyond obvious external factors, such as falling interest rates or shifting currency valuations, and to link the numbers with insights into the company’s social system—how people work together.”

COMPANIES THAT CONSISTENTLY REALLOCATE THEIR RESOURCES ON A REGULAR BASIS WILL BE WORTH 40 PERCENT MORE THAN THEIR LESS-DYNAMIC PEERS AFTER 15 YEARS.



A more global understanding of your organization, combined with analytical skills, can help you diagnose when, and if, people problems are part of product delays, missed projections, and so on. And we think that the CHRO of the future will take their global understanding of the organization to diagnose the bigger, more fundamental organizational flaws. HR leaders now have an array of tools to get real-time insights across departmental lines—anonymous employee feedback and quick, one-question surveys to get the pulse of employees under various managers—like never before.

As the “People Before Strategy: A New Role for the CHRO” authors write, “Take, for example, problems that arise when collaboration across silos doesn’t happen. In such situations, no amount of cost cutting, budget shifting, or admonition will stem the deterioration. Thus CHROs who bring dysfunctional relationships to the surface are worth their weight in gold.”

If soft skills and intuition can be a bit of a drawback when making decisions, they’re a positive when it comes to understanding where, and how, the organization isn’t working as well as it should. CHROs should push to connect their people programs to the company’s business strategy and its culture.

In addition to a deep understanding of all aspects of the business, ongoing formal education is a must for next-generation CHROs. Long-time HR leader Matt McElrath, CHRO of Keck Medicine of USC, told us, "I'm a strong believer in HR professionals staying in school, getting their certifications through our various societies, and getting their graduate degree. You need to be as skilled and knowledgeable as your counterparts in operations."

Prescribing actions on the people side that will add value to the business is where HR leaders can demonstrate their importance in a very concrete way. The CHRO is the executive responsible for the strategy of how the company uses people to achieve business results and a dynamic talent allocation strategy, hiring and promoting for a more inclusive workplace, and a strong company culture all improve those results. Although much of this has been the mission of forward-thinking HR leaders for quite some time, the difference is that with a grounding in analytics, CHROs can make their case—and prove business value—in cold, hard numbers.

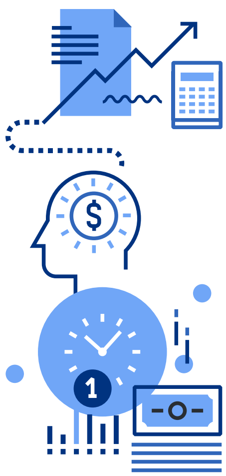
As evidence for the value HR can bring, "How to Put Your Money Where Your Strategy Is" appearing in the *McKinsey Quarterly,* found that the companies that most consistently reallocate their resources on a regular basis—capital expenditures, operating expenditures, or human capital—will be worth 40 percent more than their less-dynamic peers after 15 years.

Additionally, companies that make inclusion a priority and have a diverse workforce also reap economic gains. As we've previously reported, McKinsey & Company's "Why Diversity Matters" article found that "companies in the top quartile for gender diversity were 15 percent more likely to have financial returns that were above their national industry median, and the companies in the top quartile for racial/ethnic diversity were 35 percent more likely to have financial returns above their national industry median."

An inclusive workplace is just one example of how company culture can have a real financial impact, especially when employees see top managers as trustworthy and ethical. Deloitte's "Global Human Capital Trends 2016" article states that a strong culture is an especially important competitive advantage during times of change. The authors note, "Mergers, acquisitions, growth, and product cycles can either succeed or fail depending on the alignment of culture with the business's direction."

FUTURE OF COMPENSATION: WHERE TO START

THE FUTURE OF COMPENSATION IS SOMETHING THAT HR LEADERS NEED TO START TACKLING. THE UK BEGAN REQUIRING DISCLOSURES AROUND EXECUTIVE COMPENSATION IN 2013. IN THE U.S., STARTING IN 2017, HR LEADERS AT PUBLIC COMPANIES WILL BE FORCED TO CONSIDER THE REQUIREMENT TO DISCLOSE THE RATIO OF CEO PAY VERSUS MEDIAN EMPLOYEE PAY.



WILLIS TOWERS WATSON HAS ADVICE FOR KEEPING EMPLOYEE MORALE AND PRODUCTIVITY UP IN THE FACE OF THESE CEO PAY DISCLOSURES. THE ADVICE IS VALUABLE FOR ALL ORGANIZATIONS, ESPECIALLY BECAUSE IN AN INCREASINGLY TRANSPARENT WORLD, COMPENSATION IS STILL IN THE SHADOWS:

1. Introduce a total rewards statement
2. Improve pay communications
3. Consider adopting a consistent job architecture

Back to the Future

Let's revisit the vignette of our CHRO of the future. Why is the CHRO on an earnings call? Because they understand business imperatives and have the analytical mindset to put the impact of HR initiatives into hard numbers. The CHRO is talking to the press about what their company is doing to close the skills gap because they know that a new generation of employees demand always-on workplace learning, and that the CHRO's company has social responsibilities beyond job creation. The CHRO goes to a customer dinner because they know that to be truly effective, they need to stay ahead of the immediate needs of the business—and the best way to do this is to understand how customers' competitive landscapes are evolving.

It wasn't easy for our CHRO to gain all the skills and knowledge needed for the role, but there is no question that they earned their place as a true innovator of human, and business, performance.

Workday, Inc. | 6230 Stoneridge Mall Road | Pleasanton, CA 94588 | United States
1.925.951.9000 | 1.877.WORKDAY (1.877.967.5329) | Fax: 1.925.951.9001 | www.workday.com