



HEIDRICK & STRUGGLES
HUMAN RESOURCES OFFICERS PRACTICE

The four HR roles that matter most

How can HR leaders ensure their units are meeting the strategic talent needs of the organization and operating with an edge? Build a strong HR “top team” around four key roles.

CEOs increasingly recognize the positive effect that HR can have on talent attraction and retention, company culture, and the bottom line. Consequently, many CEOs are demanding that chief human resources officers (CHROs) elevate the function's performance to deliver more for the business. And many CHROs are seizing the opportunity: we routinely see examples of high-performing HR teams achieving powerful business results.

Nevertheless, we also see otherwise strong CHROs (and particularly those new in the role) plunge headlong into developing and selling an ambitious strategic vision that the HR organization itself is ill prepared for. In other words, ironic though it may seem, some CHROs make the critical mistake of overlooking the importance of talent in delivering on their own agendas.

Such was the case at one Fortune 500 company in technology and technology services, where a newly hired CHRO outlined a massive strategic overhaul of HR, complete with a new talent management system, enhanced self-service tools, the offshoring of certain tasks, and redesigned processes for all critical workflows—from routine transactions to performance management and succession planning. Yet despite all of the CHRO's planning and support from the C-suite for these comprehensive changes, a critical element was overlooked in the rollout: the HR team itself. While the company's HR team excelled at transactional processes, some key players lacked the knowledge, experience, and training required to step into their new roles as strategic advisers. Months into the effort, it was clear the CHRO was falling well short, with business leaders throughout the organization

lamenting HR's lack of competence and support—a chorus that resulted in the CHRO's exit less than two years later.

To be sure, most CHROs know in their bones that even the most brilliant strategy will fail without a capable team to implement it; after all, understanding talent and teams is what they do for a living. So why do some still make this mistake? In part, it's a holdover of the department's legacy. HR has evolved over the years, moving from "payroll" in the 1980s to service excellence in the 1990s to (at its best) talent and strategic business advisers today. Even now, the negative stereotypes about HR—that it's an executional back-office function with employees well versed only in regulatory nuance and benefits packages, for example—hold elements of truth at certain staff levels. In devising a vision for HR, then, CHROs must ensure their supporting cast is fully capable of making the transition to a more strategic way of working. The good news is that many CHROs are rising to the occasion, redefining how HR supports business strategy and building more effective teams to serve the organization.

What can new CHROs do to set themselves—and their teams—up for success and deliver on the promise of an engaged, responsive, and strategic HR function? The CHRO's first priority must be to ensure he or she has a skilled "top team" in four core areas: talent, total rewards, shared services, and business partners. A CHRO can't replace the whole team—nor would he or she want to. Assembling this team requires CHROs to embrace expanded leadership within the department to establish a culture of performance excellence as well as identify and mentor promising candidates.

While the insights in this article are largely intended for new CHROs, even veteran HR leaders can benefit. Like their counterparts across business departments, HR functions everywhere must continue to evolve

to meet an ever-rising standard of performance—or face the consequences. Finally, for a CEO or board looking to bring on a new HR leader, hearing a candidate's views and plans for these four roles can provide useful insights into how a would-be HR leader approaches the job.

Four key roles

While the pressure to make an impact and “get wins” is intense during a new CHRO's tenure (and rightly so), we find that upon joining an organization or being elevated within the company, the most successful CHROs make time to quickly assess the strength and depth of their HR teams in four key areas. The leaders in these areas have disproportionate influence on the fortunes of HR—both in how it performs and in how it is perceived across the organization. The ideal is for all HR leaders to be business operators first and technicians second. For CHROs to achieve their vision for HR, at a minimum the following four positions must be filled by highly capable leaders. (See sidebar, “Traits of effective HR leaders,” for insight into the skills and experience that all candidates should possess.)

1 Chief talent officer/talent director

Increasingly, CEOs and boards recognize the one true and distinctive business advantage that can't be easily replicated is people. The role of the talent director is no longer solely about attracting and retaining talented individuals, however. He or she must be able to grasp the company's *strategy*—for example, expanding into new regions or entirely new businesses—and find candidates with the right mix of skills and experience to execute it.

At the aforementioned technology company, the organization was in the midst of fundamentally changing its business model from that of an old-line hardware seller to that of a cutting-edge technology services and solutions provider. This transition required new roles, skills, and ways of thinking as

well as a radical shift in talent profiles. At the same time, the core business (still the company's main revenue generator) needed to keep its people engaged and motivated throughout the transition. While this challenge would have been difficult for any HR leader—akin to changing the oil in a car while driving down the highway—the company's talent director faced difficulty from the outset in identifying and retaining the talent required to support both business tracks.

Moreover, HR had not thought through how best to engage, motivate, develop, and reward new hires, whose tenures were relatively short as a result. The company experienced a similar dynamic when it used acquisitions to buy the talent or capabilities to support the new business. Ultimately, the company lacked the right professionals, particularly on the sales side, to establish its new identity in the marketplace. While this shortfall wasn't entirely the talent director's fault (as we'll see), his inability to think through the company's needs and play a leading strategic role during its evolution made a significant challenge even more daunting.

2 Total-rewards director

Employees in this position must have not only a thorough understanding of compensation and benefits but also the acumen to work collaboratively with executives on tailoring these programs to support the business. This role, often overlooked as transactional in nature, has the potential to make an important contribution to a company's success. Rewards are a critical component in attracting the right talent, and when they are properly synced with the business strategy, companies set themselves up for success. Without this alignment, they often fall short of their goals or even fail spectacularly.

Such was the case for the tech company, which had acquired a smaller service organization to support its transition to a solutions provider. While the deal

brought in a number of talented salespeople, the total-rewards director neglected to reassess the existing compensation and benefits package to ensure that it was calibrated to retain the new sales team. While the tech company offered pay and benefits that were in many ways superior to those of the acquired company, its compensation for salespeople didn't give them nearly as much control over the upside as in their previous structure. Inevitably, the old adage about performance management ("No one figures out a compensation system faster than a salesperson") held true. Many of the best performers among the new, integrated sales force quickly realized their hard work wouldn't translate to greater rewards and jumped ship. Worse, the people who stayed tended to be average or below-average performers who were perfectly happy to accept the higher base pay and good benefits—an approach the higher-performing salespeople

derided as "riding the base." As a result, one of the biggest opportunities afforded by the acquisition—bolstering the sales force—was missed, and the company was left without enough strong salespeople to push its new portfolio of services.

By contrast, when the total-rewards team gets things right, the result can be quite different. At an established tech giant that acquired a rapidly growing, nimble, and entrepreneurial technology company, the total-rewards director worked with the CHRO to push back on the management team's desire for immediate integration and instead argued that a new compensation system and rewards structure would take more time to develop. Fast-forward to six months later when the company rolled out a new compensation system that augmented the original approach with a few new metrics around team collaboration that helped both companies.

Traits of effective HR leaders

HR has the ability to connect up, down, and across the business, gathering important knowledge and giving the function a face internally. The engagement and impact can be significant, enabling HR team members to be strategic advisers to the organization (and even the CEO and/or executive team). When filling these HR leadership positions, CHROs must ensure that the individuals have a business mind-set and the skills to build relationships with executives and managers across the organization. The best prospects should embody four attributes:

- 1. The ability to think strategically yet remain pragmatic.** HR leaders must balance what they hope to achieve with the reality on the ground.
- 2. Cross-functional business knowledge.** This attribute is often the key missing ingredient in HR problem solving: leaders must think, act, and speak like business operators.
- 3. The courage and decisiveness to act.** HR often has a reputation for "paralysis by analysis." Just as successful business operators make decisions and move forward, HR professionals must follow suit.
- 4. Financial acumen, mastery of analytics, and technological savvy.** This knowledge is critical to providing a window into the business and its prospects and to enable HR to do more with less.

The modified approach supported the overarching business strategy, eased integration in a meaningful way, and even provided additional potential upside to motivate the sales team, who became more committed to making the new venture a success.

3 Shared-services director

As the “engine room” of HR, shared services is often overlooked (or worse, maligned) because, much like total rewards, it is perceived as more transactional than strategic—a source of cost savings and little more. This is a mistake. Besides the traditional abilities to enhance service efficiency and save money (for large companies, often in the tens of millions of dollars), this function fields requests and captures a wide range of data from across the organization. This gives its leader a unique vantage point to identify important workforce issues and trends, spot opportunities, and even sound the alarm when the work environment shifts unexpectedly. The role also oversees service excellence and transactional competence—a vital element in the CHRO’s agenda. In our experience, no thoughtful discussion of strategy, talent, or other high-value-added endeavors will occur if the only thing anyone focuses on is how an HR group’s shared-services team is underperforming.

Having a talented, collaborative, and strategically minded shared-services director can pay big dividends. At one global consumer goods company, the plan to expand into a new region depended on securing a new crop of senior managers. The plan’s architects envisioned filling the roles with an existing pool of expats who had been identified as future leaders. As the C-suite prepared to make the necessary investments, the shared-services director reviewed the data and correctly concluded that even with existing managers and those who would be ready to lead in two to three years, the company would not have enough executives to launch or effectively manage the planned acquisitions.

Proactively, she raised the issue with the company’s senior management team. Through a collaborative, cross-functional effort, the company devised a short-term plan to cover the talent gap and launched a corporate institute to develop a new cadre of managers over the longer term.

4 Business-partner director

In larger organizations, HR often embeds members of its team in different business units, and these professionals report directly to those leaders (with a dotted line back to the CHRO). As the face of HR throughout the organization, business partners have a huge impact on the value of the department and how it is perceived. However, if these positions are populated by individuals who focus more on being gatekeepers and risk managers rather than a strategic resource, business units will lose faith in HR’s ability to support them. Worse, business partners may become so closely aligned with the business unit they serve that they lose sight of the priorities of the global HR organization. At one financial services company, for instance, the HR professional assigned to one business unit “went rogue,” becoming so focused on serving his executive that he essentially undermined HR’s goals.

Given a CHRO’s full slate of responsibilities, from working with the board and C-suite to strategic planning, the task of managing business partners sometimes falls through the cracks. Due to the importance of business partners to HR’s performance and internal reputation, CHROs should consider creating the role of business-partner director if it doesn’t already exist. While only about 20% of companies have this position, we have found that it is crucial to executing a well-coordinated HR strategy—particularly in large, global organizations.

CHROs neglect this role at their own peril. Consider the experience of a large investment management firm. The CHRO had secured an unprecedented large

budget from the board to build out HR's capabilities and was in the midst of implementing his plan when the board sent him an ominous warning. The generalists embedded throughout the organization were the weak link; they were delivering little value and were seen by the company's other senior business leaders as purely administrative rather than strategic. The board's direction was clear—if the performance of the business partners didn't improve within the next 12 months, the business would suffer. In response, the CHRO hired a business-partner director who instituted a six-month training program and changed the mentorship model. The result was more capable business partners and a closer alignment between HR and the business units, which provided more visibility into the talent needs of their departments.

Focus on leadership

Ultimately, the CHRO is wholly responsible for bringing in and developing the right team—but this task requires a different level of leadership, one in which strategy and vision are matched by a sensitivity to the team's potential to grow and adapt. In our experience, the most successful CHROs think of themselves as CEOs of HR. Just as savvy CEOs evaluate the executive team upon taking the helm and make the necessary changes, CHROs should also assess all direct reports and be prepared to take decisive action to put qualified people in core positions.

High-potential candidates for these roles will possess not just the requisite experience and ambition but also a high degree of emotional intelligence—in this case, an ability to work well with executives in order to connect the strategic dots. Since few candidates embody all of these traits in spades, CHROs must dedicate time to unlocking the full potential of the department's talent and developing the next wave of HR leaders. Proven methods include rotating HR staff through key positions in other business units to give them a different perspective on the company as well as assigning team members to projects outside their specific area of HR expertise. Through such initiatives, CHROs can build stronger teams and demonstrate lasting value for the business. ■

About the authors

Brian Bark (bbark@heidrick.com) is an alumnus of Heidrick & Struggles' Philadelphia office.

Daniel Kaplan (dkaplan@heidrick.com) is managing partner of the Human Resources Officers Practice; he is based in the New York office.

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Human Resources Officers Practice

Heidrick & Struggles' Human Resources Officers 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, multigenerational, 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, including the adaptability, insight, and operating skills to have an 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 a 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 we 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.

Leader of Heidrick & Struggles' Human Resources Officers Practice

Daniel Kaplan

Managing Partner

dkaplan@heidrick.com

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ONE LEADERSHIP TEAM AT A TIME™

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