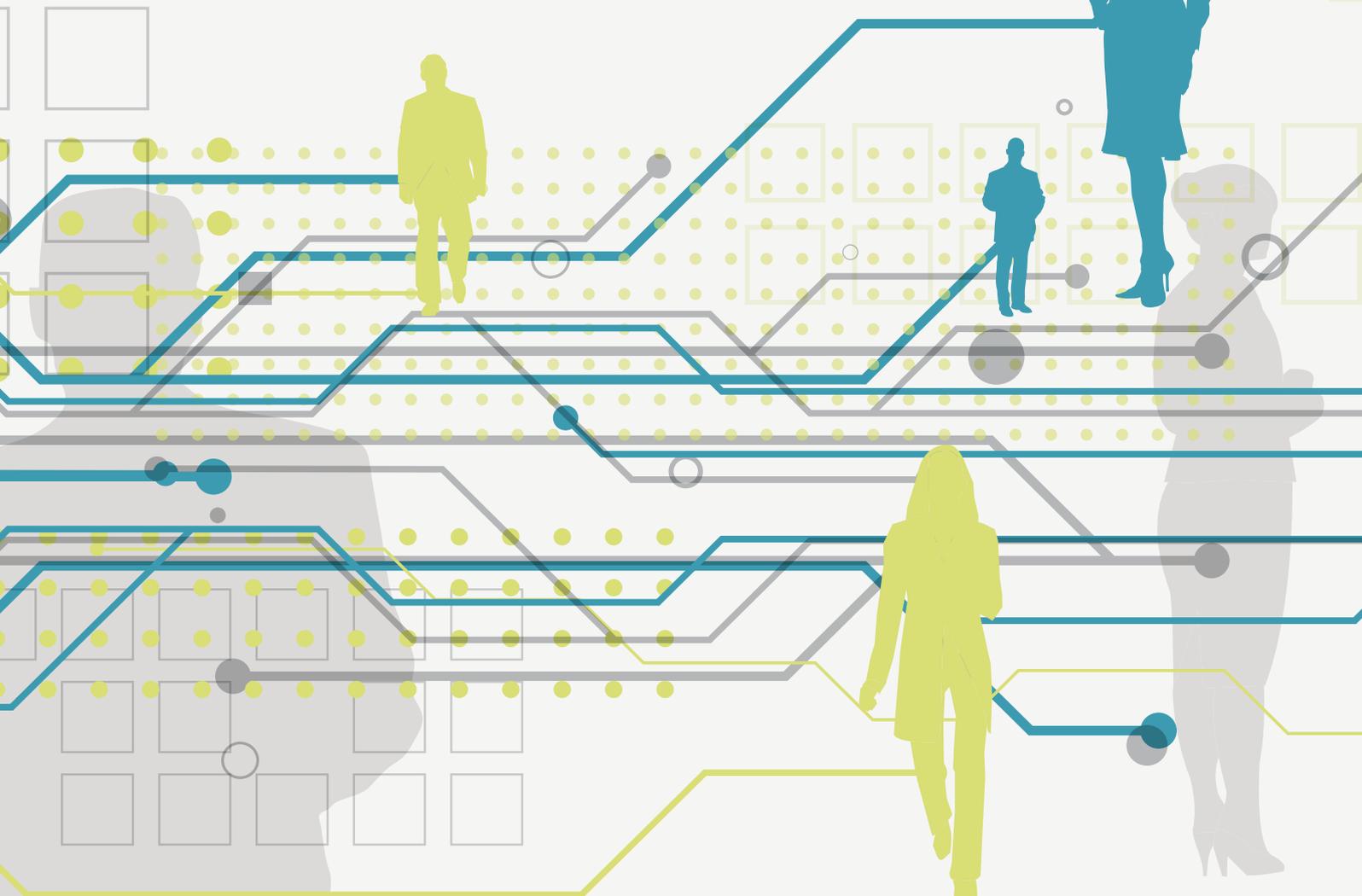


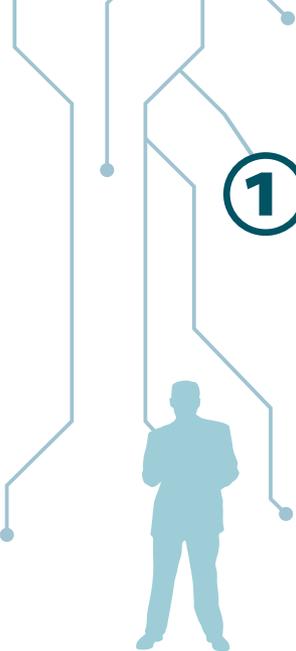
# Creating next-generation CHROs



- The role of the CHRO is changing fast. We offer five lessons from some of the world's most digitally enabled human resources leaders.

Almost all companies outside Silicon Valley are in some stage of digital transformation, whether it's a retailer trying to compete with Amazon or a manufacturer pursuing automation and robotics. Beyond the core operational implications of digital transformation, the CEOs of companies that are managing change of this kind are looking to the digitally native businesses of the Valley as models for rethinking the human resources function and the role of its leader, the chief human resources officer (CHRO). They're saying, "We're in a digital transformation. I need someone who can play an integral part in the operating committee, advising on how to spur performance, how to hire and retain engineers and data scientists, and how to transform our organization into an agile and purpose-led culture that addresses the needs of this talent pool."

We spoke with some of the most digitally enabled CHROs about where the human resources function and the CHRO role are headed. What they advocate is a completely different way of doing business and managing oneself as a CHRO. CEOs, group HR directors, and up-and-coming HR leaders may all learn something from the five lessons we distill in this article. As a whole, these lessons suggest that every organization should reflect on its need for a digitally enabled CHRO as well as digital approaches to recruiting and retention.



# ① Serving as a trusted partner to the CEO

## FROM

Playing a peripheral role in discussions about the company's future



## TO

Commanding equal business influence with others on the operating committee

Enlightened CEOs now expect CHROs to be business leaders, playing a considerable part in the operating committee and offering cogent opinions on the future of the business and how the organization operates to reach its commercial objectives. The CEO and the CHRO are the only two individuals in the C-suite who have to look at how the entire organization works together across functions, business units, and geographies.

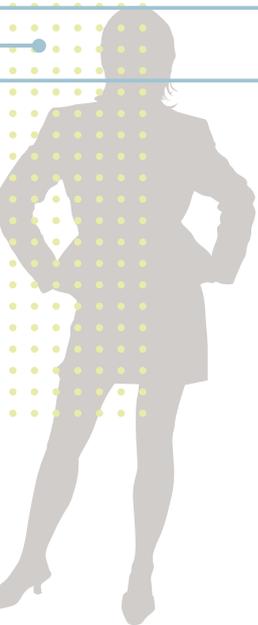
"The CHRO of the future will be in a role of extraordinary privilege to everything happening in the enterprise. They will become a trusted adviser to the CEO and the board," said Beth Axelrod, vice president of employee experience at Airbnb, an online accommodations marketplace.

Getting experience outside the HR function is key to success for the next-generation CHRO role, given its broader, more prominent responsibilities. "Future HR leaders will be business leaders first and technical HR experts second," said Bina Chaurasia, chief people officer at Tanium, an IT security company. "The path to CHRO will no longer be the traditional HR career path but will include rotations into and from other parts of the business."

Working at a start-up is another way forward. "Formative experience is important, and working in a start-up is really a formative experience," said Rachel Mooney, a recent director of human resources at Vodafone, a telecommunications company. At a start-up, you need to get involved and accept risks and broad ownership, and you experience successes and failures along the way, she said. "Failure is an important character builder, and a great CHRO will have lived through both great and tough times," Mooney said. "Understanding what risk and failure both feel like will help you understand and develop your own coping skills and resilience. You learn much faster via risk taking and failure than via steady state."

Increasing use of shared services and automation means CHROs in digitizing companies should have more time to spend on matters such as business strategy, employee experience, and culture shaping than on administrative tasks. "Automation and self-service are allowing HR leaders to spend more time on coaching and becoming trusted advisers," said Ashley Goldsmith, chief people officer at Workday, an HR and finance software company.

## ② Prioritizing agility



### FROM

Focusing on polished, fully baked HR programs



### TO

Innovating agile, minimum viable products

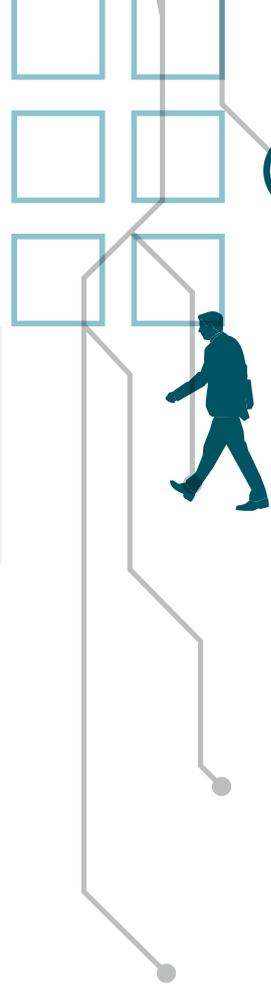
Existing HR playbooks, including the one-size-fits-all-employees program, may not work in emerging business models. Instead, the digitally enabled CHRO is comfortable putting raw ideas forward, letting the executive team critique them, and adapting them on the fly in the spirit of agile work approaches. This requires a CHRO who can think on his or her feet and design innovative programs under short timetables. As a result, HR is becoming less about apprenticeship—where people move up through the ranks of the department—and more about introducing executives who are strategic thinkers with business acumen into the function.

“What is different in HR today versus a few years ago? It’s so much more fast paced,” said Workday’s Goldsmith. “Agility is super important. The organization is bending and changing so quickly, you have to be prepared for anything and be able to problem solve like never before. Markets are constantly disrupted, and if you aren’t agile enough to innovate quickly, your organizations will die.”

How should a CHRO prepare for this new world? The traditional CHRO equates experience with credibility. In the new model, an HR leader may have to consciously say goodbye to HR verities, knowing that what worked in the past may not be relevant now or in the future. “I can see that sometimes my experience holds me back. It isn’t always relevant anymore,” said Louise Patterson, CHRO of Graze, a consumer goods company.

The digitally enabled CHRO will listen more to a wider range of stakeholders, both internal and external, and will make decisions based on multiple data points. Consequently, HR executives will be required to consistently reinvent themselves. “I am very consciously trying to disrupt myself,” Patterson said. New-generation CHROs are always asking what they stand for and how that manifests in their work behaviors—they have a growth, rather than fixed, mind-set.

“With constant change, you must adapt to the fluidity and be comfortable with short timetables,” said Airbnb’s Axelrod. CHROs “must be comfortable and confident in trying, failing, learning, and iterating.”



### ③ Treating employees as digital consumers

#### FROM

Regarding employees as people who are simply doing a job



#### TO

Considering employees as consumers

“HR needs to be the first mover on digital transformation,” said Brigette McInnis-Day, former executive vice president of human resources at SAP, a software company, and now chief operating officer at SuccessFactors, an SAP unit. Digital-native employees, especially engineers, are not going to be excited about walking into the HR department and having a face-to-face conversation; they want to interact via mobile device. They won’t be inspired by a 20-year-old HR product; they want programs and products that look like the ones they’re building. These programs should be as easy to use as commonplace consumer products, such as the iPhone or Amazon, and be available 24/7.

The broader goals of digital HR are to bring “simplicity into the organization—how can we use tools and technology to free up manual work, duplication of effort, and repetitive and structured work?” said Mooney, formerly of Vodafone. “The freeing of the employee experience” should be among the CHRO’s main aims, she said.

Moving to digital HR will require risk taking and experimentation, as the standard technology available for such programs has only slowly evolved. HR leaders are increasingly taking chances on cutting-edge technology and connecting it to legacy platforms to offer a better employee experience.

“Employees need to experience digital inside the organization so they can start thinking about customers in a different way,” said Rose Thomson, CHRO of Travelport, a travel technology company.

In addition to digital integration, employees are demanding that companies offer support for their lives and aspirations, rather than simply viewing them as people who clock in and out. Just as consumers seek out products and services that morph with their changing needs, employees expect an organizational culture that adapts to their needs and provides them with opportunities. HR leaders must understand these new expectations if they anticipate getting the best out of their people.

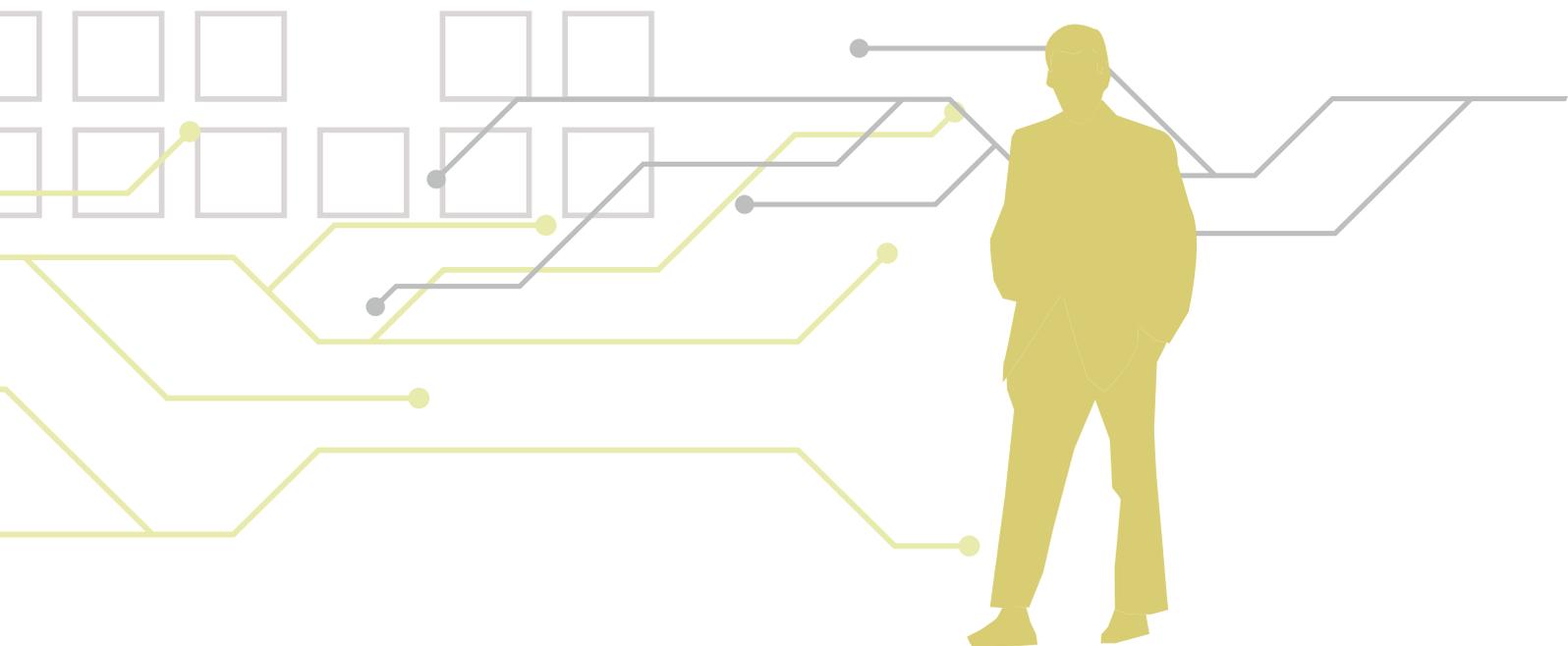
“The key responsibilities have changed for HR, from focusing only on safeguarding the business by making sure policies are followed to focusing on what employees need and

treating them like customers. This paradigm shift is changing everything in the hire-to-  
retire employee life cycle for businesses,” said Akhilesh Nair, vice president for human  
resources at Genpact, a digital-led professional services firm.

The younger generation of employees wants to work for companies that are in it for  
more than making money. HR leaders today must follow that cue. In many companies,  
there is no product that can be seen, heard, or felt; it’s a technology. In those cases, it  
may be even harder to create a purpose than when manufacturing a physical product.

“I’ve been back and forth between innovative tech companies and retail,” said Monika  
Fahlbusch, chief employee experience officer at BMC Software. “At Old Navy you could  
see the product, touch it, and feel it. At PeopleSoft and BMC, you can’t see the product.  
You have to find a different way to attach people to the company. This is where culture,  
values, and philanthropy have become more important to technology companies.”

The stress on preserving talent through culture is one voiced by many CHROs. In  
the case of engineers (always in high demand), said Claire Ainscough, vice president  
of human resources at Expedia Group, a travel technology company: “Everyone is  
high risk in Expedia Group—what do we do to keep them?” The company must “treat  
people very well,” not only for retention’s sake but for reputational value in the  
technology community.





## ④ Employing data science

### FROM

Using technology to increase operational efficiency



### TO

Using data to make the employee experience better and the company more agile

HR leaders must use data and predictive analytics to inform the executive team on everything from recruiting capacity to retention to workforce planning and analysis. Artificial intelligence and automation will augment the business strategy and workforce planning. “In each forward-thinking sector, the CHRO needs to have a technology bent of mind—how do we use data to derive insights, how do we make the employee experience better, and how do we make the company more agile?” said Genpact’s Nair.

CHROs now have data engineers and scientists researching workforce plans that optimize for talent and the cost of labor, assessing retention risk based on average tenure and compensation growth and producing analyses of return on investment from additional benefit programs. “CHROs need a quant on the team who brings the combination of data engineering, data science, and storytelling and insights,” said BMC’s Fahlbusch.

“Analytics is huge,” added SuccessFactors’ McInnis-Day. “How do we use the data and how do we tell the true story and how do we drive the business forward based on data? HR needs critical data and the ability to analyze, report, and predict outcomes to make stronger business decisions.”

A big issue for CHROs is attracting and retaining technical talent such as engineers and data scientists. Building a culture that fits these kind of personalities is essential. It’s important to “understand that recognition for engineers is about appreciation of intellect and deep subject-matter expertise and that expertise is more important than empire,” said Mooney, the former Vodafone executive.

## 5 Promoting diversity and inclusion



### FROM

Focusing on diversity in terms of numbers and compliance



### TO

Nurturing inclusion and belonging of a diverse workforce

Diversity programs have been around for years. Traditional ones emphasize attracting a heterogeneous group of candidates and increasing the number of employees in underrepresented populations and employee resource groups. In the United States, 37% of the private-sector workforce is nonwhite, but only 13% of executives are minorities. In the United Kingdom, only 4% of CEOs and 6% of board members in the FTSE 100 are black, Asian, and minority ethnic, despite members of these communities composing 14% of the working-age population.<sup>1</sup>

While these traditional programs are important and will not go away, CHROs at progressive companies are also focusing more on inclusion and belonging. “I like to think of inclusion and belonging as people bringing their best selves to work and fitting in, being respected and valued, with equal opportunity to succeed,” Airbnb’s Axelrod said.

“Next-generation CHROs will face two defining and enduring trends. First, organizations with a deeper purpose will outshine and outlast the competition—social responsibility, engagement, diversity, and inclusion will be increasingly relevant to the talent of tomorrow,” said Tanium’s Chaurasia. “Second, technology will continue to play an integral role, and using technology to make data-driven decisions and to curate the employee experience will be a critical differentiator.”

“Having employees with diverse backgrounds, experiences, and ways of thinking is critically important,” said Jonathan McBride, global head of inclusion and diversity at BlackRock, the largest global asset manager. To have a genuine impact on returns, he said, “Companies must be both diverse and inclusive. Companies that embrace diversity and practice inclusive behavior create a sense of ‘belonging’ that accelerates teams’ performance and enables them to create the best outcomes for clients.”

The concepts of diversity and inclusion will become inherent in the CHRO’s portfolio, said David Pacifico, global head of digital human resources at GSK, a global healthcare

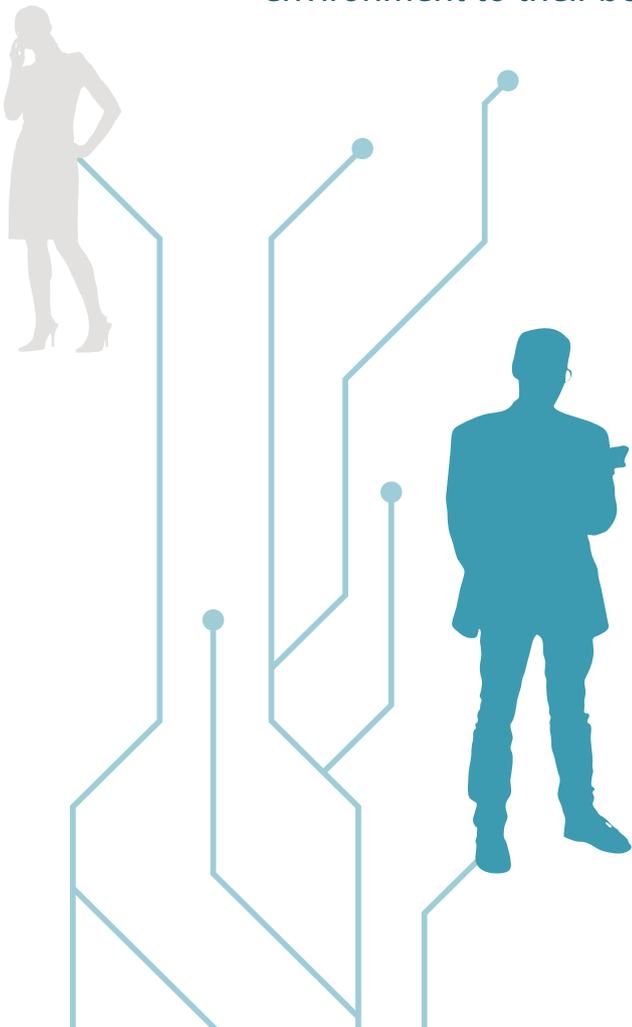
<sup>1</sup> Billy Dexter, “The CHRO’s critical role in promoting ethnic diversity,” Heidrick & Struggles, April 19, 2018, [heidrick.com](http://heidrick.com).

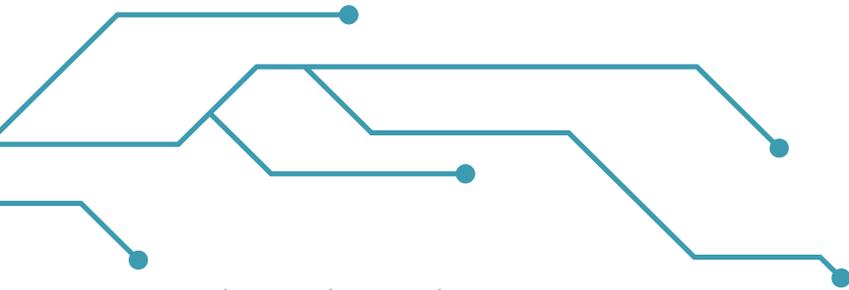
company. In particular, there will be a big push to bring more women into technology fields, he said.

The best-in-class CHRO will be “thinking about diversity, including STEM and general studies,” said SuccessFactors’ McInnis-Day. Employing behavioral economics will be important to avoid building an HR program that fails to properly account for the motivation of a new generation. Otherwise, “we could be breeding the wrong behavior,” she said.



Large companies around the world are just starting to transform their HR functions to cater to a more technical digital workforce as they themselves undergo digital transformation. They are looking at hypergrowth companies as models for this transition. The bigger enterprises will entrust these transformations to CHROs whose backgrounds furnish them with an understanding of the broader business context, who are able to create an agile culture where digitally savvy employees can thrive, and who know how to use today’s fast-paced, often ambiguous environment to their benefit. ■





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# Human Resources Officers Practice

Heidrick & Struggles' global Human Resources Officers Practice's search professionals partner with our clients to help them identify strategic human resources leaders who are prepared to lead and create high-performing organizations. They must do this in the face of a confluence of trends that are changing the very nature of work itself, reshaping the workforce of the future, and placing never-before-seen demands on the human resources function. These trends include:

- **Rise of automation and artificial intelligence.** Artificial intelligence, machine learning, digital, the cloud, and big data are radically changing the nature of work.
- **Multigenerational workforce.** Soon more than five generations will be in the workforce, each with different mind-sets, work habits, and expectations.
- **Rise of the "gig" economy.** Remote work is the new norm, and by 2020 as much as 40% of the workforce could be independent contractors.
- **Global disruption.** Climate change, economic disruption, and political unrest are creating new levels of uncertainty about global operating conditions.
- **Instantaneous information sharing.** Employees have new expectations for how information will be shared and used in a digital, 24/7 world dominated by social media.
- **Intensified war for talent.** Leaders who are able to excel in volatile, uncertain, complex, and ambiguous markets with compressed and rapidly accelerating time frames are in short supply and strong demand.
- **Not just diversity but inclusion.** Pressure is intensifying to accelerate progress on creating not only a genuinely diverse workforce but also a truly inclusive culture.

Our HR executive search professionals work closely with our clients to ensure that their human resources leaders are equipped to lead and manage through this rapidly changing environment. We help our clients find HR leaders with the business acumen, strategic and market insight, financial savvy, operational capabilities, and ability to harness data and technology to drive business success. These leaders must be culture shapers with the foresight, resilience, and adaptability to drive transformative change in organizations through strategic talent management.

Our HR search professionals advise CEOs, boards, senior management teams, and HR executives on how to identify and select the best human resources leaders across all functional areas reporting to the CHRO, including talent management, talent acquisition, performance management, learning and development, organization design and effectiveness, total rewards, HR operations, diversity and inclusion, HR data analytics, and employee experience. We align with our leadership consulting colleagues to advise HR executives on best practices in organization health, team effectiveness, leadership development, and culture shaping.

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