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# The five essential attributes of the 21st-century CHRO

The demands of the CHRO role have changed drastically in the past five years. Today, the CHRO has become a next-generation chief transformation officer. What qualities do CHROs need to succeed?



The role of the chief human resources officer (CHRO) is changing again. Over the years, the best CHROs became much more focused on the business and its strategic needs. Today, the needs of the business have evolved—and with it the demands on the CHRO. Long-established business models face disruption across sectors, forcing human resources leaders to focus much more on radically different talent needs, including elevating the employee experience and encouraging diversity and inclusion, while strengthening corporate cultures. The disruption touches all areas of the CHRO's traditional portfolio: who and how to hire, how much to pay, how to develop and train, and how to rate performance.

In fact, the CHRO job has become much more like that of a chief transformation officer (see sidebar, “How to think about transformations”). To succeed, the 21st-century CHRO must master five attributes that were barely on the CHRO radar five years ago: embracing disruption, practicing agility, solving for organizational structure, employing data analytics, and facilitating new work environments. In this article, we will explore how these attributes relate to the work of CHROs and what they can do to flourish in this new environment. Companies that get the right person in this role will greatly improve their chances of being able to take advantage of the big changes afoot in the marketplace.

## The five keys to CHRO success

The best CHROs at global enterprises bring to the table the flexibility and ability to adapt—as well as that ineffable quality to see around corners—that we observe in smaller, venture-backed companies. These leaders have what boards of directors and CEOs are looking for in today's CHRO: transformational skills. Such skills are embodied by five key attributes.

### Embracing disruption

Big companies are seeing their long-established business models disrupted, often by nimble start-ups. They've seen what has happened in retailing (e.g., Amazon), consumer goods (e.g., razor blades),<sup>1</sup> and the automotive sector (e.g., ride-hailing companies, autonomous cars).

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<sup>1</sup> Steven Davidoff Solomon, “\$1 billion for Dollar Shave Club: Why every company should worry,” *New York Times*, July 26, 2016, nytimes.com.

## How to think about transformations

Most companies today find themselves on transformation journeys of one kind or another. These range from tackling the customer experience to rationalizing a supply chain to improving sales productivity. As the CHRO role grows to encompass corporate transformation objectives, what are some of the unfamiliar situations the CHRO may have to address? How should he or she think about them?

In this article, we review several examples in which companies were called upon to undertake big transformations. These examples might give CHROs a better idea of where their role is headed and where they can add value. And there's at least one lesson that CHROs can take from these examples: transformations may be lengthy journeys, but that does not mean you can't show immediate results.

Navigating disruption has become a key skill set for CHROs. As a CHRO, how do you help your company disrupt itself before somebody else does the job? Some are creating partnerships with start-ups—for example, in Silicon Valley—and putting people on the ground there to become part of the ecosystem so that they can learn and establish complementary partnerships. Others are leading management teams by going offsite—not to stale meetings at lush country clubs or resorts but to visits with executives at innovative, fast-moving companies. Such meetings can benefit both parties, whether it's simply a matter of sharing experiences or even developing partnerships or a strategic acquisition. Forward-leaning CHROs are engaging with incubators or other business accelerators as another way of tapping into the ecosystem to be on top of potential industry disruption.

## Practicing agility

Savvy CHROs recognize that industry disruption is anything but a neat and linear process and that even the best-laid corporate plans may need to be altered—and quickly—to adjust to changing business dynamics. This makes agility a critical skill for CHROs to possess and to develop in their organizations.

Agility implies the ability to spot opportunities and threats and to adapt and pivot faster than one's peers. It also means preparing for, withstanding, and recovering from setbacks quickly. The key for CHROs, and other C-suite leaders, is to zero in on four core elements of agility that Heidrick & Struggles research identifies as the most important: foresight, learning, adaptability, and resilience.<sup>2</sup>

Today's top CHROs ensure that leaders of the organization are continuous learners, able to spot threats to their industry and business. They also provide coaching to the C-suite to help leaders sharpen important skills such as self-awareness, as well as help the team develop a “fail fast and learn” mind-set. Such skills help leaders adapt to the changing environment quickly, be it in the form of new entrants to their space, a competitor's strategic pivot, technology disruption, or regulatory changes. The CHRO is the keeper of the company's culture, and embedding these traits from the top of the organization through to those serving the customer every day fuels success for the business.

## Solving for organizational structure

Of course, CHROs must also be able to leverage the organization in new ways if it is to benefit from

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<sup>2</sup> See Heidrick & Struggles, “Developing leaders for the 21st century: How leaders can mobilize, execute, and transform with agility,” February 8, 2018, [heidrick.com](http://heidrick.com).

agility and move nimbly. The challenge for a CHRO is significant, namely: How can I put teams together to solve a specific issue or problem, complete the project, and then redeploy those people—and do this in weeks, not months or years? How is this project informed by the company's strategy, and what are the deliverables?

The challenge is compounded by the fact that, for the past 100 years, the facts of corporate life have been, "I report to this person, that person reports to that person, then that person reports to that person, and that person reports to the CEO; I'm seven layers down." By contrast, the goal today is, "I've got these types of skills, and I get pulled into these kinds of projects very quickly to actually solve a problem."

Today's CHRO clearly confronts a different organizational model. In other words, work is no longer defined by an organizational chart. Work must be determined by what a company's customers want now. In the gig economy, a company needs to move quickly to serve its customers—or somebody else will.

That might mean attacking functional silos. Despite years of discussion in big enterprises, silos endure, limiting a company's ability to reinvent itself, move faster, increase revenue, and better understand and delight customers. The best CHROs are working to eliminate silos.

For example, they may reach down into the organization and say, "I'm going to bring this person into a meeting with the CEO. Why? Because she's got a viewpoint that none of us in this room have." It could be her global viewpoint, or that she grew up in a certain culture, or that she has a deeper understanding of a certain industry or geography, or that she has spent time in a nonprofit. Or, she could be a customer!

It takes confidence for a CHRO to do that. Historically, when you're in the C-suite, there may be a sense of "I've arrived," which therefore makes you less willing to take risks or invert the organizational model. Today, CHROs especially have to be willing to take these kinds of risks on behalf of the company—and bring the C-suite along on the journey—because of the disruption going on around them.

## Employing data analytics

Companies are beginning to employ data analytics throughout the organization, and the top CHROs are leading the charge in their areas of responsibility.<sup>3</sup> They are using tools such as machine learning and artificial intelligence to help assess performance and organizational gaps, including diversity and inclusion issues; to better understand where decision making is taking place; and to assess internal talent in terms of developmental needs and readiness for new roles.

For example, one hedge fund described for us the extent to which its operations are underpinned by data analytics. Its talent executives use machine-learning tools to take the bias out of hiring and to better understand where talent gaps and needs are.

A large entertainment company is also using big data to inform its talent agenda. Managing an operation with several hundred thousand employees is challenging to do on spreadsheets, not to mention a human resources enterprise resource planning (ERP) system. The company is mining its data to make better staffing, promotion, and deployment decisions.

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<sup>3</sup> For example, see Rebecca Foreman Janjic and Brad Warga, "The future of data analytics in human resources," Heidrick & Struggles, May 25, 2017, [heidrick.com](http://heidrick.com).

## Facilitating new work environments

Not so long ago, most employees went to work every day in offices. As we know, that's not how people work anymore. They work on the fly. They don't want to sit in an office all day. They want to be able to work out of a coffee shop one day and at home another. They want to have flexibility. They want to be able to collaborate with their colleagues. And since we're speaking mostly of younger generations who want and expect this type of flexibility, we don't think this approach to work is going away anytime soon.

Particularly in technology and financial services, we're seeing the work environment as an area of attention for CHROs. At one bank, the job of one high-level human resources leader focuses completely on the work environment. This isn't just about what kind of snacks to offer but how the work environment can have an impact on engagement, collaboration, innovation, and velocity—for example, how to move employees to virtual desktops and virtual machines. How to do this represents a new skill set for CHROs.

## Wanted: The 21st-century CHRO

When CEOs and boards hunt for their next CHROs, they tell us that they are looking for people with what we call transformational skills. Mastering the five attributes we have discussed here will go a long way toward building a CHRO's 21st-century tool kit. Some human resources people seeking to move up to the C-suite proudly state in job interviews, "Here's how I run the function." Today's CHRO role,

however, is not about running a function. Of course, the CHRO is responsible for a human resources team. But the bigger job is about having a positive impact on the whole company—the business, employees, customers, and communities touched by the company. To do that, the CHRO must master the aforementioned five key attributes. He or she must reimagine the work and therefore reinvent the human resources function. Achieving that will elevate the role to what it really needs to be today—the organization's chief transformation officer.

## Transforming a sales culture

A North American financial services firm with more than 10,000 advisors concluded that increased connectivity with its customers would be an important element of its strategy. A big step toward building connectivity was migrating its customers to an electronic-delivery platform, meaning they would receive statements and other communications through e-mail and text messages.

Executives were keen to develop the platform because they thought it would allow the firm to communicate with clients in a more timely fashion, rather than relying on answering machines and "snail mail." They also knew that reducing or eliminating physical mail could add about \$1 million of net operating income for every percentage point of customer adoption of e-delivery.

The firm rolled out an initiative to increase the number of clients using e-delivery and reached about 12% adoption after roughly one year. But progress stalled, even though the e-delivery platform was attractive and user-friendly. In response, executives changed their approach. Instead of pushing the initiative as a cost-reduction move, they decided to offer various incentives to

branch administrators and customers to encourage adoption. Nonetheless, four years later, just 19% of clients had signed up for e-delivery.

Executives then tried a different direction. They created a cross-functional team of frontline managers to explore what was going wrong and how to fix it. To help the team recognize—and overcome—the entrenched mind-sets that held adoption back, the company launched the project with an intensive, two-day working session.<sup>4</sup> The firm then gave the team 30 days to develop a pilot program to double e-delivery uptake that it could eventually roll out nationwide. After some consideration, the team decided that 38% adoption wasn't ambitious enough—instead, it proposed to management an adoption rate of 100%.

A breakthrough came after the team spent a week in the field observing dozens of interactions between advisors and clients. What soon became apparent to the team was that the issue of adoption had little to do with branch administrators or even customers.

The team saw that the advisors rarely mentioned e-delivery to customers. In interviews with the advisors, the team found that originally positioning the initiative as a cost-reduction measure had backfired. “What’s in it for me?” the advisors asked. Second, the advisors feared that, in moving to an electronic process, they would lose “their” clients to the firm, so their customer relationships would suffer.

At this point, the team designed a series of experiments to show that the crux of the issue was the financial advisors’ attitude and that a mind-set shift was in order. The team found that when e-delivery was recommended by an advisor in a face-to-face meeting with the client, the adoption rate soared, from 19% to 94%. The only reason it didn’t climb higher was that some clients didn’t own computers. Ultimately, all that was needed to accelerate adoption was to convince the advisors that e-delivery was the right thing for them and their clients. Once the pilot program overcame that significant challenge, the firm readied a national rollout.

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<sup>4</sup> For more, see The Corporate Lab, at [heidrick.com/thecorporatelab](http://heidrick.com/thecorporatelab).

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## Managing an IT transformation

At their most basic, call centers exist to serve customers and sort out their problems in the most efficient way. Yet too many companies focus on efficiency metrics (say, call resolution and average handle time) at the expense of business value. That was the worry of executives at a big division of a Fortune 100 company. The company had started the budgeting process for a new customer relationship management (CRM) system, and the executives wanted to ensure that, once it launched, it would help enable the customer service function to become more of a value-added partner to the main business.

Until then, the company had done little to mine and develop insights from contact with customers through the call center. The current, and typical, call-center approach focused on how quickly a representative could answer a question and get off the phone. The new aspiration? While you're on the phone, think like a businessperson—don't respond like someone who just needs to solve a problem and hang up.

So the company decided to develop a blueprint for a CRM system that would capture the information needed to transform the customer service function from a traditional call-center mentality to that of a value-added business partner. Executives assembled a cross-functional frontline team to explore what information the CRM system would need to achieve the goal.

First, the team interviewed about 50 people from the business lines that could benefit from deeper insight, analysis, and reports derived from customer service interactions. In response, the salespeople said they would like reports showing trends, graphs,

leading indicators of customer defections, and insight into what other products customers might want to buy. In fact, the team got hundreds of requests, which it distilled into 20 categories.

The team then built a giant spreadsheet with about 1,000 cells, sorted into the 20 categories. This spreadsheet served as a record of the kind of data that call-center staff would need to capture from customers or other databases to generate the requested analyses or reports. After a week's work, the team took its spreadsheet and script into the field, offering two hours of training to select customer service representatives.

The team chose representatives who were well respected by colleagues and might become advocates for the new approach if they approved of it. The pilot proved successful. The representatives were quite open to the change in approach—they appreciated the opportunity to play a bigger role in the success of the company. The representatives found that they were able to capture almost all the data needed to produce the reports.

The team completed its work in a month. After the pilot ended, the company bought the CRM system. The CRM system is now in company-wide use, and the call-center representatives are generating the kind of reports for the sales staff that the company had hoped to see.

Viewed narrowly, this case is an example of a company expanding the responsibilities of a customer service unit. In a broader sense, it illustrates how a company can change the mind-sets of frontline workers in a comparatively short time and at modest expense to help introduce novel information-technology approaches.



## Transformation at a global level

There are few change-management undertakings as challenging as trying to change the mind-sets and behaviors of employees throughout a multinational company. Even the smartest transformation strategy applied in a top-down fashion may have trouble gaining traction with local staff. What can an executive based in New York credibly tell a salesperson in Buenos Aires about how to do his or her job better?

A global consumer goods company sought to improve the productivity of its more than 10,000 sales representatives spread over 100 countries. To that end, the company created a thoughtful document—the “Blue Book”—describing the sales process that it wanted its representatives to use around the world. Top executives visited the company’s top 20 markets each year. To their dismay, they learned that the only time the Blue Book was consulted by local offices was the week before their trip.

Sales managers worldwide told the executives that the culture of selling was so local that trying to standardize the process—organizational structure, measurements, reward system, go-to-market strategy—was a fool’s errand. “As a result,” one

executive said, “I don’t know whether or not I should be promoting sales folks or sacking them based on their performance, because I’ve got no benchmarks, I’ve got no common ways to measure this.”

Executives then tried a different approach. This time, the company would undertake a global diagnostic using frontline managers to determine a best-practice sales process. The company assembled a cross-functional team. Over the course of a month, each team member visited two countries that were not in his or her region and spent three days in the field with representatives observing the sales process.

Team members fanned out, expecting to find big differences in the sales process of these countries, as sales managers worldwide had told them would be the case. In fact, the team discovered, there *was* a standard sales approach, involving four basic steps. The steps were called many different names, depending on the country, but the team narrowed them to four HR-related tasks:

- 1. Prospecting:** looking for new sales representatives
- 2. Appointing:** hiring and teaching about company methods

**3. Training:** becoming as effective a salesperson as possible

**4. Developing:** learning how to recruit other salespeople and help them grow

Given this insight, executives agreed to undertake sales pilots in Germany, Mexico, and the Philippines. The key was allowing the pilot countries to localize the sales process, as long as their approaches squared with measurable, standardized global best practices.

By the time the pilots concluded, average sales productivity per employee had risen 50%; much of those gains came from underperforming representatives, where increases of 200–300% were registered. After several months, the sales process was expanded to cover the entirety of the pilot countries, and finally to the company's other markets around the world.

Despite what executives had been led to believe, the project showed them that it was possible to change the mind-sets and behaviors of its thousands of sales representatives worldwide. And the company managed to go from field observations to completion of country pilots in just 90 days.



As the marketplace continues to change at an alarming pace, executives can be sure that their roles will continue to shift as well. CHROs of the 21st century must be prepared to build on and adapt both the skills they've honed throughout their careers and the skills they're still developing. A willingness to embrace this constant change and disruption will put today's CHROs in a position to affect transformation not just within their function but throughout the organization. ■

## About the authors

**Brian Klapper** (bklapper@heidrick.com) is a partner in Heidrick & Struggles' New York office and a member of Heidrick Consulting; he is the founder of The Corporate Lab.

**Mike Theilmann** (mtheilmann@heidrick.com) is the global managing partner of the Human Resources Officers Practice; he is based in the Dallas office.



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## Leaders of Heidrick & Struggles' Human Resources Officers Practice

### **Mike Theilmann**

Global Managing Partner  
*mtheilmann@heidrick.com*

### **Christiane Bisanzio**

Regional Managing Partner, Europe  
*cbisanzio@heidrick.com*

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## Leaders of Heidrick Consulting

### Global

#### **Andrew LeSueur**

New York  
*alesueur@heidrick.com*

### Americas

#### **Matthew Herzberg**

Huntington Beach  
*mherzberg@sennделaney.com*

### Europe and Africa

#### **Hervé Borensztejn**

Paris  
*hborensztejn@heidrick.com*

### Asia Pacific

#### **Stephen Wyatt**

Singapore  
*swyatt@heidrick.com*

#### **Ian Johnston**

London  
*ijohnston@sennделaney.com*

## Heidrick Consulting's Centers of Excellence leaders

### **Alice Breeden**

Team and Organization  
Acceleration  
*abreeden@heidrick.com*

### **Rose Gailey**

Culture  
*rgailey@sennделaney.com*

### **Sharon Sands**

Leadership Assessment  
and Development  
*ssands@heidrick.com*

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