

# The Role and Future of HR: The CEO's Perspective

## HR executives are trusted confidants who add value, say CEOs

Corporate vision and mission statements and the CEOs who stand behind them invariably state that “people are our most important asset.” Still, many senior HR executives continue to believe that they lack impact and influence within their companies. Is it true that senior HR executives are denied a seat at the decision-making table or are they holding on to outdated beliefs? What do CEOs really think about HR's value, and is there a gap between what CEOs want from HR and what HR is delivering?

In Fall 2010, the Human Resources Professionals Association (HRPA) and Knightsbridge Human Capital Solutions conducted one-on-one interviews with CEOs from a range of sectors and differently-sized companies to investigate these questions and more. What we learned offers insight and direction to executives in all areas of the organization, but especially to senior HR executives and their CEOs.

The study's essential finding was that the majority of CEOs believe that HR is making exceptional contributions in strategic areas, including talent management, succession planning, engagement, recruitment and retention. And, they believe HR has done a good job working as a partner to CEOs during what, for most, has been a tough couple of years.

As much as CEOs are looking to their senior HR executives to continue to consult on the key challenges ahead—including managing across generations, continuous change management and communications in the age of social media—they overwhelmingly expect that senior HR executives will couple their technical HR and people skills with a much deeper understanding of the real business issues. As one CEO stated, if HR wants to be more valuable to the business, “they need to map out HR organization strategy to the business strategy—do we have the organization design and people to get there? If not, what's the plan?”

*CEOs believe that senior HR executives have done a good job working as a partner during the last few years, but going forward they expect them to couple their HR skills with a much deeper understanding of the business.*

## CEOs Rate HR's Performance

### SENIOR HR EXECUTIVES HAVE EARNED RESPECT AND TRUST AS KEY ADVISORS ON CRITICAL BUSINESS ISSUES

Overall, CEOs feel that their senior HR executive is a valued contributor to the business. They are a trusted advisor and often hold the role of confidant to the CEO and other executives. When it comes to HR's performance over the past several years, in particular, CEOs expressed an extremely high opinion of the value of HR as a function and of their senior HR professionals as members of the executive team.

Half of the CEOs interviewed guided their teams through unprecedented growth between 2008 and 2010; the other half experienced economic challenges that resulted in significant downsizing. In both cases, HR's ability to manage workforce levels and effectiveness were believed to be critical to the organization's resilience in turbulent times.

CEOs whose companies grew appreciated HR's support in aggressively attracting talent from the newly available pools of external candidates. CEOs whose companies downsized felt that HR's critical contributions were in developing transparent and clear employee communications and retaining top talent.

Underscoring how HR executives function best when working as a strategic ally to the CEO, one respondent summed up their role as: "Massive. HR is a true business partner. They are embedded, committed and aligned to our needs. They understand the business and therefore can go faster. They have really direct knowledge of our business." And another reiterated the solid value HR brings equal to other functions, including (for this consumer products firm), marketing: "HR has a powerful seat at the table...on par with any part of the organization. [Leaders know] that their most critical ally in getting things done is their HR partner. People first, marketing second."

According to the CEOs surveyed, there is no question that HR issues are of paramount importance, and that the senior HR executive has a rightly-earned place at the table. But, it's up to HR leaders themselves to be more assertive in having their voice heard around that table. When asked what he'd do if he was head of HR, one CEO stated: "I'd pound the table more. HR issues get ignored in the heat of the battle."

*Whether their companies were growing or contracting in the last few years, CEOs across the board believed HR made a critical contribution to talent management and employee communications during a time of great uncertainty.*



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## Room for Improvement

### GREATER BUSINESS ACUMEN AND DEEPER CONNECTION TO THE BUSINESS WILL FULLY ENTRENCH HR'S VALUE

While they believe that the senior HR executive is on equal footing with executives from other business areas, CEOs also believe that some fall short of really understanding the business challenges. This is especially true when it comes to the needs of front-line managers, largely because HR doesn't get in the trenches enough.

To that end, CEOs want senior HR executives to focus on business priorities rather than on policies and programs that are sometimes impractical or even irrelevant to the top or bottom line of the business. Virtually across the board, CEOs stressed that HR executives need to get better at understanding the challenges and business needs of supervisors and front-line managers on a first-hand basis. Summing up this oft-repeated observation, when asked what he would do if he were head of HR in his organization, one CEO said: "If HR is not embedded in the organization, it is not successful. It needs to be visible. It needs to understand the business better in order to bring greater value to the table. HR can become too narrow, too specialized—it needs to be broader in its approach to the business."

A significant majority of the CEOs interviewed expressed how important it is for the senior HR executive to have a thorough understanding of the business P&L. As one CEO said, "The senior HR executive [needs to be] a business person first and an HR leader second. They need to decipher and deliver." Several others echoed the need for HR to analyze, assess and translate upcoming critical social and people trends into policies and programs that really matter to the business, and—most importantly—that are tested and gain buy-in so they can be implemented on the front-lines.

CEOs question HR's value when it focuses too much on legislation or process. They want to see senior HR executives apply their expertise to determine the impact to the business of changing legislation and help business leaders manage the change, rather than focusing on the punitive side of non-compliance. As one CEO colourfully described it, in his organization "HR tends to push through negativity, saying 'we're all going to jail if we don't fill out these forms.'" While this sentiment—and perception of HR's approach—was in the minority, there was a clear trend that pointed to HR being mired in the tactical application of policy and programs that may be disconnected from the real needs of the business.

All that said, CEOs were open about their own role in helping the organization understand the critical contribution of HR to business success. They're also looking for senior HR executives themselves to be more assertive in demonstrating their value and demanding that their issues are recognized. CEOs believe that senior HR executives can and should drive their agendas forward by ensuring they are business savvy, relevant, trusted and focused on the issues that matter to the business.

***HR executives need to forecast critical social, legislative and people trends, leading the organization in implementing programs that have front-line buy-in and really matter to the business.***



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## SECTORAL DIFFERENCES IN THE PERCEPTION OF HR

When it came to their perspectives on the role and value of HR, there was a clear difference between CEOs in knowledge management businesses (such as pharma and financial services) and those in resource/manufacturing in terms of the understanding and acceptance of HR within their companies.

Generally speaking, within knowledge management businesses, the HR role was well-understood and well-respected. In resource/manufacturing, on the other hand, a notable number of CEOs felt that HR was still viewed as the “hirers and firers,” responsible for recruiting and discipline. One respondent said that his executives and managers had grown up in the business and were slow to understand HR as a value-added business partner. “We have a long way to go with them. But we’ve also made some strides and changed the ‘old school’ thoughts,” he added.

## Going Forward: What CEOs Expect from HR

### HR’S EXPERTISE AND INSIGHTS NEEDED TO BUILD EFFICIENT, AGILE AND GROWING ORGANIZATIONS

While there was a wide spectrum of response to what CEOs expect HR’s central role to be in the coming years, the importance of talent management and succession planning came to the forefront in almost all interviews.

### TALENT MANAGEMENT AND SUCCESSION PLANNING

CEOs recognize their growing need for leadership that is skilled, available and ready to act. This is especially true for those CEOs who are confronting the challenges posed by multiple generations in the workplace, and the exodus of skilled workers from the organization through retirement, or what one CEO referred to as a “silver tsunami.”

CEOs spoke passionately about the need for HR to play a leadership role in identifying and developing talent. CEOs are looking to HR to help the organization identify the behaviours and skills that will drive the organization’s productivity and success. They want customized approaches to individual leader development to accelerate personal effectiveness, and several said that individual coaching will become more important than large-scale leadership development efforts.

Related to this, CEOs are concerned about succession planning. One noted that during the economic downturn, succession planning was put on the back-burner and that this was, in retrospect, a mistake. Now that the recovery is underway, most CEOs expect their senior HR executives to lead a renewed focus on both talent management and succession planning.

### WHAT THE CEO NEEDS FROM HR

- ◆ Talent management and succession planning
- ◆ Creating the employment brand
- ◆ Four generations in the workplace
- ◆ Employee communications
- ◆ Social media
- ◆ Trend analysis and forecasting
- ◆ Change management

## A number of other expectations of HR emerged as important to CEOs and their organizations

### CREATING THE EMPLOYMENT BRAND

While experiences varied in terms of the emphasis placed on attracting and retaining talent in the past several years, finding and keeping talent continues to be an area of strong need. CEOs talked about the vital part HR will assume in connecting the company's culture with its objectives, as well as defining and communicating what makes their organizations great places to work.

### FOUR GENERATIONS IN THE WORKPLACE

Almost all CEOs want HR to help predict and manage the impact of the four generations in the workplace, especially in terms of recruiting, building teams, dealing with change and motivating employees. CEOs acknowledge that the generations don't talk the same language or use the same tools to get their work done. They are looking to their senior HR executives to help their organizations better understand and manage these differences.

### EMPLOYEE COMMUNICATIONS

CEOs frequently mentioned HR's significant role in managing employee communications during the downsizings that had recently taken place in many of their organizations. One CEO went as far as admitting that his HR leader was a "translator and interpreter of [my] often obtuse communications." Many CEOs expect HR to own employee communications and to ensure that middle managers, especially, have the tools and information they need to communicate with and lead employees.

### SOCIAL MEDIA

A very strong trend expressed spontaneously and frequently by CEOs was the expectation that HR have a solid grasp on how to use social media to communicate with and recruit employees. This ranged from the desire that HR establish best practices around employee use of social media to leveraging social media platforms as an engagement and communications tool.

### WHAT'S NEXT FOR HR LEADERS?

The observations of the CEOs we interviewed should give HR executives much to reflect on when it comes to their own leadership.

If you are a senior HR executive hoping to have greater influence and impact in your organization, start by asking yourself:

- ◆ How often do you put yourself on the front lines of your business?
- ◆ Is it time to take a line role to gain business experience?
- ◆ Do you know your way around the P&L of your business?
- ◆ Do your colleagues look to you for wise advice and counsel?
- ◆ Do you have the skills and resources you need to help your organization change, grow and prosper?
- ◆ How do you keep track of social trends and legislative change? How do you communicate these to your colleagues and CEO and gain buy-in for programs to address them?
- ◆ Do you know what your CEO and your business require from you? How well are you meeting your business's real needs?

## TREND ANALYSIS AND FORECASTING

HR is expected to forecast the social and people trends that will impact the business. “Be like Wayne Gretzky,” said one CEO. “Know where the puck will be and help me get there before it.” Critically, however, CEOs do not want senior HR executives to be blind followers but rather savvy interpreters of trends, with the ability to separate business-relevant trends from fads. They want HR to translate trends into valuable opportunities for the company, preparing the workforce, as one CEO said, “to drive more productivity in the business.” Another CEO said that the senior HR executive needs to be someone who has “an unbelievable desire to grow the business—always thinking about what’s next.”

## CHANGE MANAGEMENT

CEOs want senior HR executives with a toolbox of change management practices, a consulting mind-set, and a strong understanding of how compensation and performance management can be used to support change.

## Conclusion

The findings suggest that CEOs have a greater appreciation of the role of HR, its relevance and value, than HR leaders themselves often do. CEOs see senior HR executives as crucial business partners to themselves and to the business. They want them to be coaches and sounding boards for the executive team, and continue to act in the role of confidant with respect to other executive team members.

CEOs feel that HR executives, more than other senior executives, should have the capability to build trust, communicate and collaborate with others with exceptional levels of diplomacy and discretion. These attributes must co-exist, however, with a deep understanding of the business, including a far stronger grasp of the business’s operations and financial realities, including its algorithms and P&L.

CEOs expect their senior HR executives to apply their professional expertise with a focus on issues and trends that matter to the business. If there is one area where CEOs want HR to perform better, and would do things differently themselves if they were heading the HR function, it is in knowing what the real business challenges are and applying expertise to managing and solving these challenges proactively. As one CEO stated, “If you don’t have a business-savvy HR team, it’s time to re-tool it!”

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### About HRP

The Human Resources Professionals Association (HRPA) is Canada's HR thought leader with more than 19,000 members in 28 chapters across Ontario. It connects its membership to an unmatched range of HR information resources, events, professional development and networking opportunities and annually hosts the world's second largest HR conference. In Ontario, HRP issues the Certified Human Resources Professional (CHRP) designation, the national standard for excellence in human resources management and the Senior Human Resources Professional (SHRP) designation, reserved for high-impact HR leaders.

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