

Developing the Next Generation of CHROs

Key findings from the “Learning to Fly” study



Setting the Context

The Great Recession forced many organizations to take action. Their focus was short term, and on keeping their heads above water. This was manifested by an extreme focus on optimization, a drive for efficiency in all functions, and an overall theme of reduced investment.

What organizations realized at the same time, however, was that a new normal had been set. There is no such thing as a “steady state” anymore, and firms have grown accustomed to working in a state of flux. They borrow a military term to explain their environment: It’s a VUCA (Volatile, Uncertain, Complex, and Ambiguous) world!

The VUCA world is one of constant change. A slew of factors can affect a company’s financial outlook, which means organizations must take cautious risk to drive performance and yet not put the house up for sale. HR leaders faced with evolving organizational expectations can help navigate this change if they fully immerse themselves in the business and integrate the role of the HR function into organizational strategy.

In a VUCA environment, the CHRO must take an approach that integrates HR with the business. It is not a question of business strategy driving HR, or vice versa. It should be a well-balanced approach that weighs both strategies synergistically in order to drive business growth.

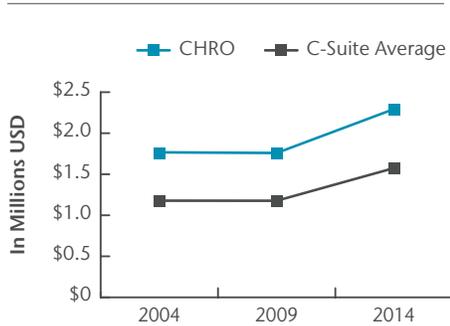
In the context of this change, Aon Hewitt’s advisory group of clients—the Human Capital Leadership Council (HCLC)—came together and asked the question: “Is HR developing its own leaders to tackle the challenges of a dynamic environment?” Aon Hewitt sought to gain insights in the form of this study, “Learning to Fly.” We interviewed 45 CHROs from across the globe about their journey to the CHRO position. How did they prepare? What surprised them in a good way? How did they deal with different stakeholders? What wisdom would they pass on to the next generation of CHROs?

To understand their answers, we first explored the increased value of HR in organizations today and how HR has changed in response to VUCA demands.

Impact of the VUCA Environment



Average Total Compensation*



*Firms with revenues of USD \$2.5 billion or higher
Source: Aon Hewitt TCM Database

The Importance of HR Has Grown, and Expectations Have Grown Exponentially

Over the past decade and a half, the HR function has come a long way. It has sought and acted on feedback, taken a customer-centric view of employees, and earned its seat at the C-suite table. If we look at the total compensation paid to CHROs as a proxy for how important an organization deems them to be (see chart to left), we see that average CHRO compensation for firms with revenue of USD \$2.5 billion or higher has moved in step with the rest of the C-suite. Additionally, in our analysis CHROs are typically the fourth or fifth highest paid CXO in an organization. There has been a shift away from paying the CHRO predefined salaries largely based on past performance, and toward paying for demonstrated performance.

As the importance of the HR function has grown, expectations for the CHRO have risen concurrently. However, the candidates for the CHRO position, especially those from within the HR function, have not been able to match this requirement in terms of capabilities. Although the HR function helps other leaders plan their careers across different business units and functions, ironically HR's ability to plan and develop internal candidates for the CHRO position is still lacking. In response to this need, we have developed a model for thinking about succession planning in a structured way so talent can grow into the CHRO role more readily.

Need for a Structured Way of Developing Future CHROs

Our study focused on five capabilities that an aspiring CHRO needs to work on. Four of these (Leading Up, Leading Across, Leading the Function, Leading Externally) are critical external interactions the CHRO must manage, while the fifth (Leading Self) is an introspection on the CHRO's strengths and areas of development.

- **Leading Up.** Working successfully to deliver on the expectations of the board and CEO
- **Leading Across.** Working successfully and partnering with C-suite peers across diverse business functions
- **Leading the Function.** Revisiting the current HR strategy and reprioritizing HR programs
- **Leading Externally.** Maintaining business connections outside the organization and networking with other business and HR leaders
- **Leading Self.** Leveraging important interpersonal skills to become a successful CHRO

Five Areas of Development for Future CHROs



Our report looks at practical suggestions in these areas of development. These suggestions come from the experience of the CHROs whom we interviewed, as well as through Aon Hewitt’s experience in developing leaders of the HR function.

We recommend that individuals follow the 70/20/10 model—which consists of 70% experiential learning, 20% networked learning, and 10% training opportunities—to develop skills for the CHRO role. Much of the hands-on learning that CHROs require comes from working through real-life situations and acquiring knowledge in a particular organizational context or industry.

Using This Report

This report can be used for personal as well as organizational development. From a personal development standpoint, the report provides both qualitative and quantitative insights on the capabilities of a CHRO across 10 diverse industries. From a broader organizational perspective, this report can be leveraged to develop successors internally by providing the tools necessary for succession planning. We begin by exploring each of the five areas of development (Leading Up, Leading Across, Leading the Function, Leading Externally, and Leading Self). Each section highlights some of the major things that are expected from the CHRO based on these areas of development. We then provide analysis on an individual and organizational level, suggestions for succeeding in the role, and skill sets that may be required for CHROs in the future. We round off the report by including the study background and demographics.

Leading Up

66%
of CHROs had
prior board
exposure



As the CHRO, two relationships are critical for success: one with the board of directors and the other with the CEO. The board and the CEO set the overall strategy for the organization and look to the CHRO to support that strategy from a human capital standpoint.

In order to support these stakeholders, the CHRO must bring a blend of technical knowledge and soft skills. Technical knowledge allows him or her to establish credibility, while softer skills help build the relationships necessary to execute and facilitate initiatives.

Key Expectations of Board and CEO

Given the new VUCA environment, all leaders in an organization—including the CHRO—are expected to help the board and CEO achieve their organizational goals. The CHRO is therefore expected to:

- **Translate the board's/CEO's expectations and strategies into HR outcomes.** The CHRO is expected to anticipate future trends and the talent capabilities required over a three- to five-year horizon. If the CEO or board suggests a strategy that will have negative HR repercussions or goes against the employer brand, the CHRO must call that out and suggest alternatives.
- **Decode “culture” into HR programs and symbols.** Like all other CXOs, the CHRO must use the organization's cultural imperatives to shape their function—in the CHRO's case, the HR function. However, the CHRO must go beyond and be the assessor of the organizational culture shift. If certain groups or leaders have behaviors that counter the organizational culture, the CHRO must work with them on bringing alignment.
- **Adapt to the changing business environment and advise the board/CEO on HR implications.** It's important to keep abreast of changes in the industry and ensure that HR policies and programs are forward-looking. For example, companies that have managed to retain high performers through the Recession may suddenly see talent flight in an improved economy. The CHRO must have a plan to retain talent in case of a “Black Swan”¹ event that is impossible to predict. Therefore, the CHRO needs to continue building agility and adaptability in the workforce.

¹ A Black Swan event—originally referenced in the book, *The Black Swan: The Impact of the Highly Improbable* by Nassim Nicholas Taleb—is one that firms/societies are not prepared for. By their very nature, Black Swan events are impossible to predict.

- **Flex one’s approach to adapt to individual differences of attitude and style.** More than any other function, HR needs to work with people’s personalities. Navigating through personality differences while keeping the organization’s goals as his or her “true north” allows the CHRO to be adaptable but consistent. One CHRO we spoke with experienced four CEO changes in three years. Each CEO had his own different style, and the CHRO had to adapt by shifting from a purely strategic advisor role with one CEO to being an operational champion with another.
- **Advise the board and CEO on technical areas such as executive compensation and succession planning.** Eighty-four percent of the participants marked executive compensation as a key area on which the CHRO is expected to advise. In our Top Companies for Leaders® (TCFL) study, we noted that 92% of TCFL firms have succession planning as a board agenda item. The CHRO is expected to take the lead in these two technical areas.

“The board expects that the head of HR will deliver messages for the CEO, but the real value-add is whether the head of HR is going to challenge the CEO’s ideas and approach. I define my career as that.”

– CHRO of a major financial services firm

Leading Across

The next set of relationships the CHRO needs to maintain is with the other CXOs in the firm. The CHRO must manage incompatible agendas, interpersonal conflict, and the dynamics of being a peer to the C-suite all while having a unique relationship with the CEO/board. At the same time, the CHRO must remain the employee champion and build trust with the C-suite.

Expectations of Peers and Other CXOs

- **Be an integral, value-adding leader of the senior executive team.** As a leader in the firm, the CHRO is expected to have an opinion of the firm's strategy and the actions taken. He/she is expected to be inquisitive and ask the right questions. This way, conversations with peers add value for both parties. The CHRO can also achieve this by having a thorough understanding of other business units' growth drivers and analyzing issues through the lens of another function.
- **Develop common agendas with other C-suite peers.** The CHRO manages one of the most important assets of the firm: its people. It is important that the CHRO develop a great business relationship with other CXOs, especially with the CFO and the CIO/CTO. The board expects the C-suite to close ranks behind the CEO and present a unified, common strategy for the firm. At the same time, it is necessary for the CHRO to express a point of view on the HR implications of peers' strategic actions before going to the board.
- **Balance the role of confidant to the CEO with being a peer of other C-suite members.** CHROs are in a unique position in their organizations. On the one hand, they are peers to the other CXOs. On the other hand, they are expected to be confidants to the CEO and board. They need to provide objective advice on aspects such as performance, pay, and succession planning.

- **Help peers drive business results—both across the enterprise and for each respective part of the business.** A CHRO needs to partner closely with non-HR business leaders to achieve business objectives. For example, this might mean convincing the CEO to implement an agenda on behalf of a non-HR business leader, especially if it is related to HR aspects such as organizational structure changes or performance.
- **Serve as coach, “sparring partner,” and enabler of individual executive performance.** It is the CHRO’s role to coach other CXOs about their own individual performance and working styles. The CHRO must be someone off whom peers can bounce ideas. It’s important to give honest feedback with their best interests at heart—meaning that sometimes the CHRO must push back on ideas on which he/she and the CXO do not agree.
- **Understand people’s agendas, but steer clear of politics.** Of all the CXOs, it is perhaps most critical for the CHRO to be seen as neutral in all political situations, and with the firm’s interests in mind. This requires the CHRO to understand the CXOs’ agendas while keeping a safe distance to serve as an objective advisor for the CEO/board.

“It is important for the CHRO to check that other CXOs’ ‘strategic activities’ are executable from an HR perspective. In a sense, this is similar to the role that a CFO plays. If someone wants to execute certain activities but doesn’t have the right people in place, you can’t green light the initiative. After all, a CFO wouldn’t give you permission to do something if you don’t have dollars to spend.”

– CHRO of a European firm

Unique Relationship with the CFO

- CHRO and CFO handle the two most important kinds of capital in the organization: human capital and financial capital
- CHRO and CFO have unique roles in that they can advise from a point of impartiality and objectivity
- 65–70% of the operational cost of a services firm is people—people’s actions can put an organization’s financial strategy at risk
- Boards and CEOs expect the CHRO and CFO to present a common agenda



Leading the Function

In order to deliver on the expectations of stakeholders (both internal and external), the CHRO must guide the HR function on prioritizing areas that will yield results in a given organizational context (see page 20). Since the contexts of organizations are different, the CHRO must respond appropriately to the context of his/her own situation.

In our study, we noticed three distinct kinds of organizational contexts that CHROs must tackle. Depending upon the context, we could title the CHRO as a founder, a director, or a transformer. Each context has different nuances in terms of expectations, and each has different suggested actions. Advice for increasing performance as a CHRO under these organizational contexts can be found in the “Suggested Actions” section of this report.

Expectations of the HR Function

Overall, all CHROs are expected to deliver on the following with respect to the HR function they lead:

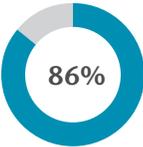
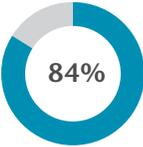
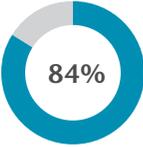
- **Business strategy as the starting point.** Start with the business outcomes the firm wants to achieve and then develop an HR strategy that has clear connections to the end goal.
- **Plan, but be flexible.** Have a plan that starts with assessment, celebrates milestones, and is connected to the business strategy. In a VUCA environment, the CHRO must have a flexible plan that allows for agility and experimentation.
- **Build the team, but also demand performance.** Build the team, create alignment, and support the team’s career development aspirations. At the same time, the CHRO must make difficult talent decisions and carry through with those decisions when necessary.
- **Be the team’s external champion.** Provide cover for the team to take risks and achieve progress. Promote them with other business leaders, and give them stretch assignments outside the function. The CHRO must be a leader both of the people and the HR agenda because these functions are closely connected.

Key HR Capabilities Required

We asked the participants to rank the top capabilities a CHRO must possess from a functional standpoint and also to tell us—on a scale of 1 (None) to 5 (Expert)—where their capability levels were when they first took on the CHRO role.

As the chart suggests, the top three capabilities participants highlighted were organization effectiveness (revisiting structures, realignment of leadership responsibilities, centralization/decentralization, etc.), executive compensation, and leadership assessment and development (aligning organizational leaders’ soft and hard skills to match the needs of the strategy).

Interestingly, areas such as labor and union relations, health and safety/ workers’ compensation, workforce administration, and HR systems and payroll were marked by fewer than 5% of the participants. It was not that these areas are seen as unimportant, but rather that CHROs feel their team is expected to carry those agendas.

CHRO Top Functional Competencies	CHRO Self-Rating
 <p>86% Organization Effectiveness</p>	3.7
 <p>84% Executive Compensation</p>	2.9
 <p>84% Leadership Assessment and Development</p>	3.8

Leading Externally

In a connected world, all leaders of the organization—including the CHRO—are expected to be the face of the firm to the external world. Additionally, they need to maintain relationships with government agencies (especially for regulated industries) and other bodies. There is also a lot of learning potential through networking with peers in the industry.

While only a few of the CHROs we interviewed had interactions with customers as part of their role (more so by virtue of having led certain relationships in the past), they all spoke of the importance to their roles of external networking and connections.

Expectations of the Organization

- **Be an ambassador for the firm.** The CHRO represents the brand of the firm to the external world, just like any other leader. However, the CHRO has the unique opportunity to build the employer brand of his/her organization by participating in recruitment events, conferences, and even in the media.
- **Interact and present to policy makers.** This is especially true for firms in industries with regulatory oversight. The CHRO is expected to work with regulators on aspects such as top management pay, managing risk, etc.
- **Use connections with regulators as an opportunity.** Rather than viewing the regulatory interventions as a necessary evil, some organizations choose to use them as a sounding board for honing processes. And for firms in industries with regulatory oversight, the CHRO is expected to work with regulators on issues such as top management pay and managing risk.
- **Develop a cadence of meeting with external peers.** Develop a calendar and build relationships in a structured manner (meeting people for lunch/dinner, setting up formal learning sessions) in anticipation of helping each other in the future.
- **Bring an outside-in perspective for HR.** The CHRO can adopt best practices from HR peers outside his/her organization. There are benefits to learning from other firms' practices and experiences to modify the firm's own HR strategy.
- **Develop strong linkages with academia.** This takes two forms:
 - Building a strong pipeline of talent for the firm
 - Sharing perspectives and learning from academia on HR-related issues

“You must focus on developing ‘real’ relationships that add value to both sides. To maintain it, it must be natural. It’s important to schedule lunches/dinners with people in your network. Do this early on in your career. People you are growing up with may be the leaders of the future.”

– CHRO of a Fortune 50 financial services firm

“I spend between 10% and 20% of my time engaging with regulators. This could be around responding to requests, coordinating interactions between supervisors from either side, or standard procedure matters. However, we’ve also spent time with them indirectly, by taking their guidance in shaping how we promote the right kind of ‘risk culture.’ This allows us to think of the ‘how’ part of our risk management.”

– CHRO of a global financial services firm

Leading Self

As leaders grow in an organization, their soft skills and competencies become more important than their technical skills. CHROs are expected to role model the behaviors the organization expects of others. Additionally, given the VUCA nature of the environment, it is essential that they have skills that will see them through different kinds of business contexts. If the CHRO does not possess some of the soft skills required for performing effectively, it is important for him/her to build a team that has complementary skill sets.

“When you're the head of HR, there's no one to take the bullet for you. The buck stops with you! But the former head of HR instilled my confidence by explaining that my role had been expanding over a period of time, in any case, and that this was a natural progression.”

– CHRO of a billion-dollar revenue organization

Key Competencies Expected

- **Have the courage to act.** The CHRO must have the courage to stand up for his/her decisions and justify those to the CEO/board. On the other hand, the CHRO must also demonstrate humility in accepting responsibility when things don't go as planned.
- **Have a quiver with different arrows.** Different situations require different soft skills. The CHRO needs to have a diverse set of skills and be able to adapt to different scenarios. As previously suggested, there are three different organizational contexts a CHRO could step into. It is necessary for the CHRO to leverage strengths to help the organization traverse its HR journey.
- **Make independent decisions.** The CHRO is at the apex of his/her function, and is therefore expected to guide the function by providing it with strategic direction. While the CHRO may consult with his/her team in formulating the HR roadmap, he/she will ultimately be held responsible by the board and the CEO for success or failure.
- **Be curious and have a learning mindset.** Having the intellectual curiosity to ask “why?” and “what?” is as important as knowing the “how.” As the architect of the HR strategy and HR service delivery model, the CHRO is expected to be open to learning and understand the contemporary trends in the field. He/she cannot have a static mindset or constantly fall back only on prior experience.
- **Have resilience.** In a VUCA environment, things often do not go to plan. In such a scenario, a CHRO needs to have the mental resilience to handle both success and failure. Learning from one's failures is often more important than celebrating successes.

Most Important Skills and Gaps

We asked the CHROs to choose, from a list of 16 competencies, the top five they required when they first entered the role. The accompanying graphic shows the competencies cited most frequently. The charts below shows the percentage of respondents who said a particular competency was important, while the number on the right shows where the participants thought their capabilities were on a scale of 1 (None) to 5 (Expert). Given that the participants were seasoned CHROs, the scores tended to be on the higher end of the scale. Business knowledge at 3.7 was the lowest—an area of development that CHRO aspirants can begin working on as they chart their career path.

CHRO Top Behavioral Competencies	CHRO Self-Rating
 84% Thinking Strategically	4.0
 65% Business Knowledge	3.7
 65% Driving Change	4.0
 59% Influencing Others	4.1

Charting Your Own Path to a CHRO Position

A majority of the participants in our study did not know they would be tapped for the CHRO position, and many of them thought they attained their job position much earlier than expected. All the CHROs spoke of diversity of experiences being one of the key reasons for their success. This diversity takes various forms, but can be categorized into three main types:

- Different experiences within (and outside) HR
- Building a global mindset
- Working in different industries

Choosing Different Experiences

A majority (53%) of the participants in our study (see page 22) had experience outside the traditional HR function. For example, some CHROs came from a line or staff functional background, and some had taken leadership roles as a change agent of a transformation in the organization. Also, CHROs who had line experience built up business strategy talents and brought them to their HR roles. CHROs with significant experience in consulting had the advantage of being able to take an outsider's view of any organizational problem, as well as bringing specific technical skills in executive compensation, HR strategy, and change management.

Even participants who were career HR professionals did not stick to one area within HR but moved among sub-functions. They also shifted between centers of excellence roles and business partnering roles to see both sides of the problem. While some of these professionals joined organizations that allowed them to try different roles in a structured manner (see sidebar), others consciously sought these experiences either within their firms or by shifting jobs.

Building a Global Mindset

While about a third of our participants (13 of 45) have actually lived and worked in a country that was not their home country, two-thirds of them (30 of 45) have worked on or have managed global projects. In building a global mindset, it was not simply the experience of living overseas, but designing and implementing a global initiative that was most impactful to their careers.

Those who had lived abroad described the resiliency that working in a foreign land can help build. One of the CHROs spoke of having to rush her child to a hospital in the middle of the night, in a country where she barely spoke the language. Her ability to tackle that situation made her confident in handling other work-related challenges and keeping calm in uncertain environments.

PepsiCo: An Incubator of Future CHROs



- ▶ 6 of the 45 CHROs surveyed were ex-PepsiCo
- ▶ PepsiCo asks people to state their career ambitions and matches them with available opportunities within the organization
- ▶ Fresh MBAs given factory HR responsibility and expected to work on “everything/anything” HR
- ▶ Fosters right-to-left thinking from start—begin from a business issue and work backwards to an HR solution
- ▶ CHROs now in completely different industries

Participants who did not live abroad but worked with global teams spoke of the tremendous learning they gained through interacting with people from different cultures and adapting to their work styles. Examples of these learnings ranged from changing their style of giving feedback to very tactical matters—such as the correct timing for scheduling a call, or how to communicate task needs effectively.

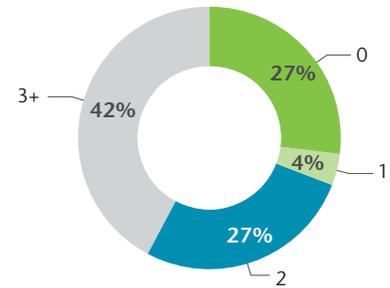
Working in Different Industries

CHRO aspirants who frequently change industries seem to be better prepared for the CHRO role. The chart at right depicts the percentage of CHROs who changed industries and how many times they did so.

The majority of our participants (73%) changed their industry at least once. Also, changing the industry appears to improve the chances of attaining the CHRO position at a faster pace. Those who never changed their industry had an average work experience of 27.5 years, and an average tenure of just 4 years as the CHRO. In comparison, those who changed their industry more than three times had the shortest average work experience (23.3 years) and the longest average tenure as a CHRO (7 years).

Potential employers tend to admire CHROs who change industries because successfully navigating these changes builds diverse skill sets and speaks volumes of the learning agility and adaptability of the CHRO. This is not to suggest that all CHRO aspirants should change industries often. However, they should practice and demonstrate the ability to apply a process or framework to analyze business issues in very diverse environments.

Number of Times CHROs Changed Their Industries



There's More Than One Path to the CHRO Position

The CHROs covered in our study followed very different paths to the CHRO position. Some started in business functions and made a switch, others stayed in the HR function for their entire career, and yet others worked in multiple functions before settling in HR. Interestingly, several CHROs who had never worked in HR before said this was the hardest (but also the most impactful) job they had ever performed. The following diagrams show four examples of divergent paths that four participants in our study took to the CHRO position.



Suggested Actions for CHROs

- **Assess your “fit” into an organization before joining it.** It’s easy to be enamored of the brand of a firm, or to be excited by the scope that a new role offers. It is important to step back and think objectively about your fit as an individual into an organization’s culture. Also, it is important to assess whether the board and CEO consider HR a true priority. Fighting against the tide is difficult.
- **Gain deep business knowledge.** CHROs should create ways and means of learning the threads of business by systematically interviewing business leaders to understand how the firm makes money, and then translating that into an HR strategy. It is important to develop a clear understanding of products, customers, and competition and then articulate how people strategies can be tied to these pieces.
- **Have a structured way of translating business strategy into HR.** Spend time understanding the context of the organization, and speaking to key stakeholders, influencers (who may not always hold a position), and customers of the HR function. CHRO aspirants should practice doing this even at a business unit/functional level so they can fine-tune and scale the approach as they take on the CHRO role.
- **Have an opinion and feel empowered to share it.** At this level, the CHRO is expected to have an opinion about the direction the firm is taking and to provide input as an organizational leader.
- **Do not surprise the CEO, ever.** The CHRO must show solidarity with the CEO in board meetings. On occasions when there is a disagreement, or data is uncovered that challenges the CEO’s position, discuss it prior to the board meeting.
- **Cultivate the ability to switch between a “relationship” mode and a “numbers” mode.** Different stakeholders, including members of the board, the CEO, and other CXOs, may require the CHRO to engage with them in different analytical and technical roles. To build a “connection,” the CHRO must balance the use of logic and numbers with soft skills.
- **Coach peers to handle their own issues.** At times, peers may expect the CHRO to be the go-between for discussions with the CEO or other peers. In such cases, offer instead to coach them on having difficult conversations and enable them for the future.
- **Maintain the right distance.** In developing relationships with peers, ensure that they are not overly personal so impartiality can be maintained. Getting too personal may also make it that much more difficult to give developmental feedback or create an awkward situation if the organization needs to exit a particular person.

“A CHRO has to wear many hats. You can’t get flustered easily, or get knocked down. You have to play the role of a team captain, as well as the cheerleader for your team. You must stand up for the team’s decisions, and be accountable to them.”

– CHRO of a large distribution company

- **Be an “honest broker.”** The CHRO must build trust through his/her actions so that he/she acts in the best interests of peers and handles issues without any personal agenda. It takes years to develop a relationship, but only one incident to end the trust. However, the CHRO must also be true to the organization’s interests ahead of his/her peers’ interests. For example, if a peer is looking for a new job, this is information a CHRO must pass on to the CEO because it may impact the firm negatively.
- **Be aware of “CEO whisperers” and work hard to make them successful.** Be aware that certain people—who may include CHRO peers—have undue influence on the CEO. Work hard to make such peers successful, since the CEO is personally vested in their success. If there are signs that a peer is not succeeding, the CHRO should mitigate the situation by raising it first with the peer and then with the CEO. CHROs should avoid, if possible, becoming “CEO whisperers” themselves.
- **Cultivate a strong network.** The CHROs in our study developed their relationships with board members by setting up one-on-one meetings or meeting informally. Additionally, to keep abreast of changes in the business, the industry, and the HR landscape, it is important to plan formal and informal interactions with peers (inside and outside the organization) periodically (at least once a quarter).
- **Engage with peers in the industry.** This could be through participation in HR forums and conferences, joining HR networks, or involvement in advisory panels for consulting partners or vendors. The CHROs we interviewed spoke about the importance of informal sounding boards. However, any new CHRO gets flooded with offers to join various forums, and it is important to be selective.
- **Identify opportunities to be mentored.** CHROs should also identify a mentor—internally or externally—who can help them navigate the path to leadership positions, and help them think about their careers in a more planned manner.
- **Self-awareness is key.** It is important for CHROs to be aware of their strengths and areas of development, especially in the context of their own organizations. It is also important for CHROs to assess their personality using standard tools (Aon ADEPT, Hogan, etc.) and to get feedback on competencies through instruments such as a 360-degree survey. Equally important is the next step, in which the CHRO defines his/her own action plan and works on it with support from his/her manager and mentor.

“I was seen as someone who knew the CEO well, and could make my peers successful in front of the CEO. I do this by coaching them ahead of their meetings, or by serving as a sounding board for their ideas. You have to play the role of a partner, and you are only as successful as the rest of the team is.”

– CHRO of a multi-billion dollar firm

Specific Recommendations for Executive Compensation



- ▶ If you don’t have experience yourself, ensure that you have a great second line that can help you with the data/analysis
- ▶ Read proxy statements for your organization
- ▶ Request participation in preparation calls for compensation committee meetings

Three Kinds of Organizational Contexts and Action Areas

Depending on an organization's context, there are specific actions an emerging CHRO can take based upon those organizational needs. The contexts and descriptions of these differing leadership styles are outlined below. We then suggest key HR programs to focus on and action plans to consider that are tailored to these organizational leadership styles.



Founders. This is the context in which HR must establish or re-establish its importance to the organization. It doesn't yet have a seat at the table. HR is in the lens of management, and the CHRO's actions are being closely monitored.



Directors. In this context, HR already has a seat at the table, but the CEO/board believe it can deliver much more value than it currently does. The CHRO is therefore expected to streamline the overall HR service delivery model and programs by defining an overarching HR strategy. This should help the organization optimize and improve HR efficiency as well as effectiveness.



Transformers. These kinds of organizations are going through a massive change that might be driven by different organizational events such as a merger or acquisition, diversification of business, entry into new or untapped markets, or an organization-wide strategic shift. In this context, HR is a significant agent of change management and the CHRO is a leader in that change.

Founders



Key HR Programs

1. Organization and Employee Effectiveness
2. Talent Sourcing and Selection
3. Learning and Development
4. Health and Benefits

Plan 2 to 4 initiatives that will have maximum impact. In this context, the CHRO does not have the luxury of time, and investments are limited. The CHRO must therefore focus on choosing 2 to 4 initiatives that will have maximum impact.

Focus on execution and measurement. The initiatives must help the CHRO demonstrate impact in a measurable way, and must demonstrate his/her ability to make sound decisions and be decisive. Since this context is about HR trying to establish its relevance to the organization, execution becomes as important as strategizing an initiative.

Celebrate successes. In these organizations, it is likely that the morale of HR is down. It is therefore vital that success stories be shared across the organization and celebrated with the twin objectives of giving the team visibility and helping it stay on the path to success.

Directors



Key HR Programs

1. Talent Sourcing and Selection
2. Leadership Assessment and Development
3. HR Systems and Payroll
4. Executive Compensation

Define a clear strategy and plan, and reach agreement with the CEO and executive team on the plan and success measures. The CHRO must work in a collaborative manner with the board, CEO, and other business leaders to define a strategy that will result in HR adding value. It is important to define action steps and expected outcomes so the success can be measured. It is also important to have a forward-looking strategy of 3 to 5 years in duration, but with distinct milestones.

Break down silos and drive cross-functional work with clear outcomes. In this context, the HR function is often fragmented and running parallel initiatives. It is therefore important to break down silos within HR, as well as between HR and the business. One way to do this could be to create cross-functional teams with additional representation from outside HR.

Transformers



Key HR Programs

1. Talent Sourcing and Selection
2. Leadership Assessment and Development
3. HR Systems and Payroll
4. Organization and Employee Effectiveness

Create a change plan. It is important to identify the HR risks of the transformation and to have a change and risk mitigation strategy.

Focus on the core. While the programs in focus are similar to those of the other two contexts, the emphasis here is on letting HR focus on the core piece of strategy creation. Many of the other elements—such as sourcing, selection, and systems—are outsourced.

Build flexible internal consultants in HR, rather than the “expert” model. The CHRO should ensure HR strategies serve the business functions from an organizational perspective, instead of just the HR perspective, during transformational events.

Use “culture” as an anchor. As the organization goes through rapid changes, it is important for HR to architect a culture that will remain constant, like a sheet anchor. The CHRO thus helps to align other leaders with the firm’s direction and strategy.

Actions at an Organizational Level

While individuals in the HR function are responsible for their own development, we believe the HR function has a key role to play as well. Following are some of the ways the HR function can help create the CHROs of tomorrow through internally hired talent in their organizations today.

Strengthening the HR Pipeline Internally

- Create opportunities for CHRO aspirants to move around in the organization and gain experience in different business roles, including the responsibilities of managing a P&L.
- Provide opportunities for CHRO successors to present before the board on topics such as executive compensation, succession planning, or special strategic initiatives.
- Hire CHRO candidates for “cultural fit” in addition to technical knowledge.
- An outgoing CHRO and the CEO must make it their agenda to help the new CHRO succeed by visibly expressing their support for the person. Persons elevated to the CHRO position from subordinate levels may not have the equity with the rest of the C-suite they require.
- Create forums for potential CHRO successors to interact with the CEO, the board, and the C-suite in an informal environment so they can build relationships before they actually take on the role.
- Encourage HR leaders to participate in projects with societal impact. Participation in such projects allows HR leaders to network while simultaneously contributing to the community. Such projects also help promote the firm’s employer brand as an organization that cares.
- Work with CHRO aspirants by drawing up action learning plans based on their personalities and competency profiles.

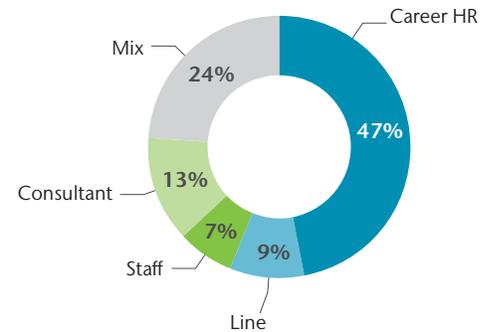
HR, Heal Thyself

We interviewed 45 CHROs for our study. A majority of them (53%) did not have a career HR background² (see chart to right). Sixty percent of the participants were externally hired, of whom 50% had a career HR background. For CHROs who grew into the role internally, that percentage drops to 39%.

The implication is startling: If you remain within the HR function and hope to grow to the CHRO level, you are less likely to make it than if you decide to move out of the HR function. Some ways to build stronger candidates within HR are:

- **Identifying high-potential HR leaders** (including those outside the function).
- **Assessing opportunities for these leaders** to get senior-level board exposure.
- **Creating a mix of rotational, cross-functional, global opportunities** that align an individual's career aspirations with training.
- **Planning for the HR skills required three to five years ahead**, and working backwards to create capability development programs today.

Background of CHROs Interviewed



² The categories we divided the CHROs into were "Career HR" (spent most of their careers in HR), "Mix" (spent time in HR as well as in line/staff roles), "Consultant" (spent most of their careers as external consultants), "Staff" (spent most of their careers in support functions such as finance, communications, general counsel, etc.), and "Line" (spent most of their careers in business roles or P&L leadership roles).

Planning Ahead: Emerging Skills Required for HR

As we looked to the future, we asked the participants what they thought were some key trends over a three- to five-year horizon. In other words, what are the “emerging capabilities” required by CHROs that CHRO aspirants should start picking up today? The common themes follow:

- **Data- and analytics-based decision making.** With the emergence of technology, SaaS-based HRMS platforms, and internal social networking software, there is a surfeit of employee data available to HR managers. One of the CHROs who had newly joined an organization spoke of how he was able to use data to counter the notion that managers in a particular division were high performers. Using basic statistics, he was able to prove that these managers had consistently set easily achievable goals—devoid of stretch when benchmarked against the goals of their peers—every year. *The emphasis therefore should not be on giving the right answers, but on asking the right questions.*
- **Being the architect and assessor of shifts in organizational culture.** Driving the organization’s culture is each leader’s responsibility. The CHRO, however, is in a unique position where he/she can take a neutral outside view and assess whether the organization processes and leaders’ styles are going in the direction in which the organization wants the culture to move. He/she can then align HR processes and programs in a manner that shapes leadership actions and behaviors (incentivizing change and disincentivizing the status quo)—thus “architecting” the shift.
- **Proactively mapping organization capability needs to the future strategy of the firm.** It is important for the CHRO to understand macroeconomic trends, their impact on the business, and the impact in terms of people. CHROs and their teams need to anticipate the new sets of capabilities the organization is likely to require. They can do this by examining the gap between existing capabilities and the ones needed in the future, and developing a three- to five-year plan to bridge the gaps. Such a human capital strategy must focus as much on what to stop doing as it does on new programs to start.
- **Playing the role of an internal and external talent scout.** As CHROs work through their human capital strategies and support their organizations in tackling a VUCA world, they also need to build the critical ability to spot pools of talent the organization can dip into. This is a mix of science (assessment, geographical capability mapping, demographic segmentation of employees, etc.) and art (intuition). It is also critical from the perspective of supporting a cultural change in the organization—to ensure that new people being recruited into the organization are aligned with the new culture the firm wants to develop.

- **Impact of technology.** With the rapid progress in HR technology, more and more transactions and processes will become automated. The “administrative” role of HR, therefore, will diminish significantly. The CHRO must work with his/her HR team to keep it relevant. HR generalists and business partners will need to morph into HR consultants to the business.
- **Charting organization-specific questions rather than following the herd.** While trends in HR are interesting, and good practices are always useful for benchmarking, it is up to the CHROs to see how different practices can be best applied to their own organizational contexts. For example, though retention is something most HR functions should drive toward, one CHRO said it was something she specifically thought did not make sense in her organization. While her firm wanted to retain and grow a few of the most capable employees, it was comfortable overall with the churn in the rest of the population because there was limited headroom for promotion after entry-level jobs.

While these emerging trends or skills may be important for aspiring CHROs, they are also important for others looking to be effective HR leaders within their organizations. As many of our respondents recognize, the strength of their supporting teams has been a huge differentiator in their success.

Conclusion

In a VUCA world, all leaders—including the CHRO—are expected to do things differently, and do different things depending upon the environment.

The HR function has undergone waves of change over the last two decades. As a result, expectations from the business side and the board/CEO are at an all-time high. On the one hand, employees are connected to each other and the external environment more than ever. On the other hand, regulators and other external agencies have placed inordinate scrutiny on areas that are traditionally in the HR realm. The HR function and the CHRO could look at this either as the perfect storm (and cower down under the pressure), or as an opportunity to prove their mettle.

Recent articles³ from influential thinkers have called for a split in the HR function, or have questioned the need for it. But there are also studies⁴ that demonstrate the fact that the CXO having the most overlap with the CEO in terms of personality indicators is the CHRO.

Our study indicates that the truth, as it often does, lies somewhere in the middle. There seems to be an increasing number of non-HR people taking on the CHRO role, though there are still a number of very highly successful CHROs that have a purely HR background. What both sets of individuals have in common is the ability to successfully and seamlessly comprehend business needs and translate them into HR actions.

Developing the next CHRO cannot be left to the individual aspirant alone. Organizations and their HR functions have a critical role to play in developing HR leaders. We hope that this study and this report give them some tangible and practical means to do so.

³ <https://hbr.org/2014/07/its-time-to-split-hr>

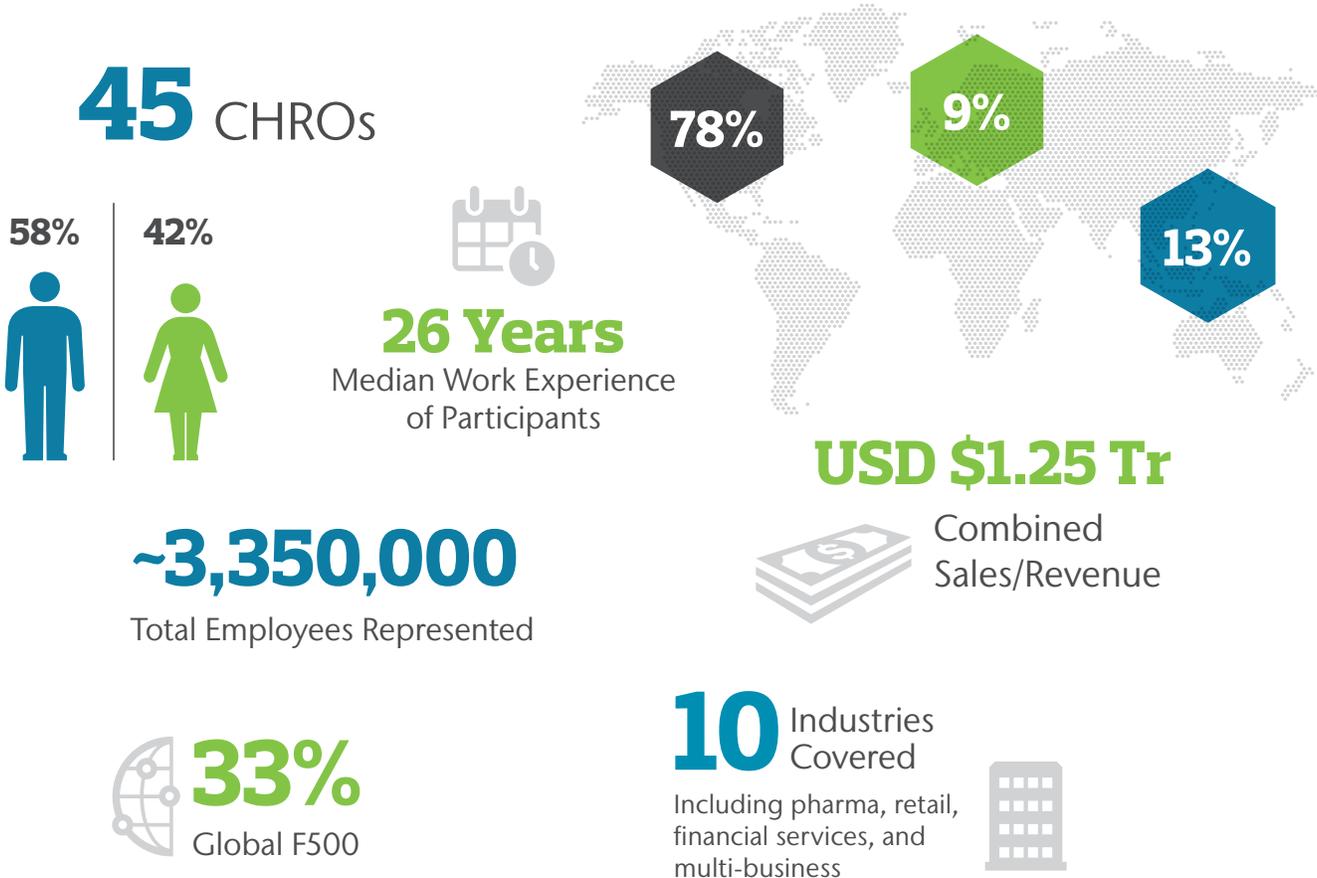
⁴ <https://hbr.org/2014/12/why-chief-human-resources-officers-make-great-ceos>

Study Background

The “Learning to Fly” study was a collaboration between the Performance, Reward & Talent practice and the Aon Strategic Advisors and Transaction Solutions practice. The Aon Hewitt CHRO study originated from our latest HCLC leadership conference, and chronicles the journey to becoming a CHRO—the most senior HR leadership position. Forty-five CHROs were interviewed, surveyed, and assessed by consultants over the course of 16 weeks (late 2014 to early 2015). CHROs were asked to discuss how they came into their role, give advice for future leaders, and describe how emerging trends over a three- to five-year horizon will impact their CHRO role in the future.

Participant Demographics

The 45 participating CHROs currently head up organizations in the U.S., Europe, Asia, and Australia, allowing them to share HR career perspectives from a global framework. The median work experience of the CHROs was 26 years, giving breadth and depth to the ideas and strategies captured in the report. In addition, the organizations represented in this report have remained highly competitive fiscally; one-third of the companies represented are listed in the Fortune 500. Collectively, these organizations represent USD \$1.25 trillion in annual revenue, with 3.35 million employees managed by the CHROs.



A Special Thanks to Our Participating Organizations

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