

**Center for
Executive
Succession**

The **Chief HR** Officer Role

Results of the 2015 **HR@Moore** Survey
of Chief HR Officers

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Center for Executive Succession

Executive succession has garnered increased attention from Boards of Directors, CEOs, analysts and the media. Failures and miscues in making the wrong succession decisions have cost companies in expenses, missed growth opportunities and reputation. In spite of the fact that executive succession presents huge risks to corporations, little is known regarding its challenges, pitfalls and best practices. The sensitive nature of “behind the veil” processes has limited the ability of investigators to conduct detailed research into executive succession. Thus, the Darla Moore School of Business at the University of South Carolina has created the Center for Executive Succession (CES) to leverage the world-class faculty research capability and a unique corporate/academic partnership to provide cutting edge knowledge in these areas.

The mission of CES is to be the objective source of knowledge about the issues, challenges, and best practices regarding C-suite succession. We seek to appeal to board members, CEOs, CHROs and other C-suite members by providing state-of-the-art research and practices on executive succession.

The corporate/academic collaboration between CES and its partner companies will generate credible, unique and unbiased knowledge to further the effectiveness of executive succession practices in firms.

**For more information on becoming a CES partner company, please contact
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EXECUTIVE SUMMARY

This year's HR@Moore Survey of Chief HR Officers examined some traditional aspects of the CHRO role such as the time spent in various sub-roles, time spent with the board on a variety of topics, the CEO's agenda for the CHRO/HR, and how the CHRO, CEO, and CFO came into their roles. In addition, it examined the weaknesses of a CHRO's predecessor and what current CHROs believe determine success in the role.

In terms of time spent, consistent with past surveys, CHROs reported spending the most time as the Leader of the HR function, followed by Talent Architect, Strategic Advisor and Counselor/Confidante/Coach. They also reported spending more time in the Workforce Sensor role than in past surveys. They similarly continue to spend most of their time with the board on executive compensation, CEO

succession, and executive succession. They also reported spending more time on "other" things than in previous years, the most popular of which involves diversity and inclusion issues. Talent continues to dominate the CEO's agenda for the CHRO and the HR function. Finally, CHROs continue to be hired from outside far more frequently than either CEOs or their CFO peers.

In the major new findings, it appears that building a relationship of trust with the board, CEO, and ELT plays the most critical role in CHRO success, followed by having strong business acumen and a strategic perspective. Talent issues seem to be important, but while lack of technical skills can be a cause for being replaced, talent differentiation does not seem to be the primary mechanism that distinguishes good from great CHROs.

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INTRODUCTION

Since 2009, Patrick M. Wright has led a survey of Chief HR Officers exploring a variety of issues and different aspects of the CHRO role. The 2015 HR@Moore Survey of Chief HR Officers examined aspects of CEO Succession, strategies for building future C-suite talent, causes/consequences of C-suite failures, and the role of CHROs in dealing with activist investors. The results of those explorations are reported in other reports (moore.sc.edu/CES/Research). The purpose of this report is to focus on the CHRO role.

The survey was conducted in May/June by inviting over 600 CHROs to participate. Almost 180 completed part of the survey, and 143 completed the entire survey.

CHROS' TIME SPENT IN ROLES

Consistent with past surveys of CHROs we asked them to indicate what percentage of their time they spent in seven different roles that we identified when we began conducting the survey. These roles emerged from brainstorming groups and confidential interviews involving more than 30 CHROs. We describe these roles and their definitions in Table 1.

Figure 1 displays the results we have seen over the past 6 years of the survey. Consistent with past results, CHROs report spending the most time in their Leader of the HR Function role (23%) followed by the roles of Talent Architect (18%), Strategic Advisor (17%), Counselor/Confidante/Coach (14%), Board Liaison (11%), Workforce Sensor (10%) and Firm Representative (6%). As the figure shows, the rank ordering of these roles has not changed over the six years of the survey. However, the results this year suggest that CHROs spent less time as Counselor/Confidante/Coach (a 2% reduction), and reduced their time by approximately 1% as board liaison and strategic advisor. On the other hand, they have increased their time as Workforce Sensor (2%) and Firm Representative (1%).

TABLE 1. CHRO Roles

Strategic Advisor to the Executive Team

activities focused specifically on the formulation and implementation of the firm's strategy

Counselor/Confidante/Coach to the Executive Team

activities focused on counseling or coaching executive team members or resolving interpersonal or political conflicts among team members

Liaison to the Board of Directors

preparation for board meetings, phone calls with board members, attendance at board meetings

Talent Strategist/Architect

activities focused on building and identifying the human capital critical to the present and future of the firm

Leader of the HR Function

working with HR team members regarding the development, design and delivery of HR services

Workforce Sensor

activities focused on identifying workforce engagement/morale issues or concerns and building employee engagement

Representative of the Firm

activities with external stakeholders, such as lobbying, speaking to outside groups, etc.

We also asked the CHROs how they spend their time with the board. Figure 2 displays these results over the past 6 years. Again, the rank ordering of topics has not changed much, with Executive Compensation (44%) topping the list, followed by CEO Succession and Executive Succession (17% and 15% respectively). In exploring the responses to what fell in the other category, interestingly "Diversity and Inclusion" was mentioned by 9 of the 30 CHROs. In addition, 5 CHROs noted that they spent time describing HR operations and best practices.

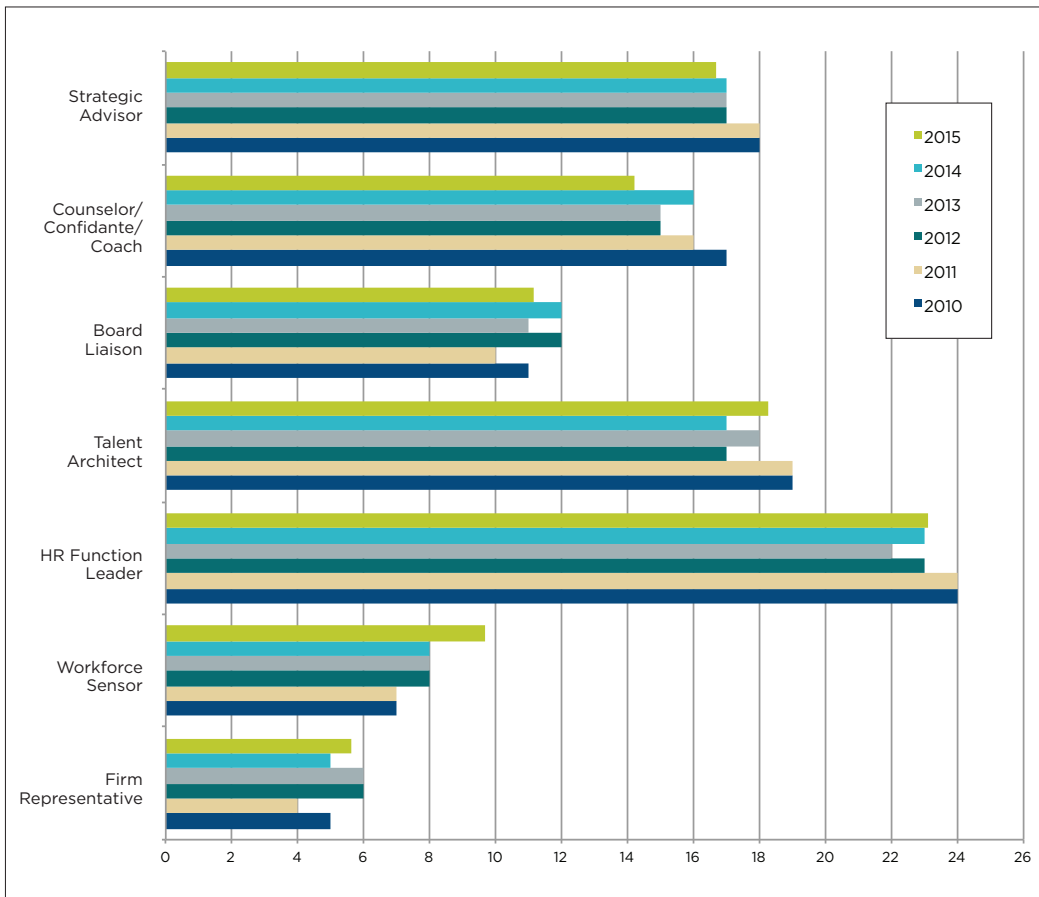


FIGURE 1.
Time Spent in
CHRO Roles

FIGURE 2.
Time Spent on
Issues with the
Board

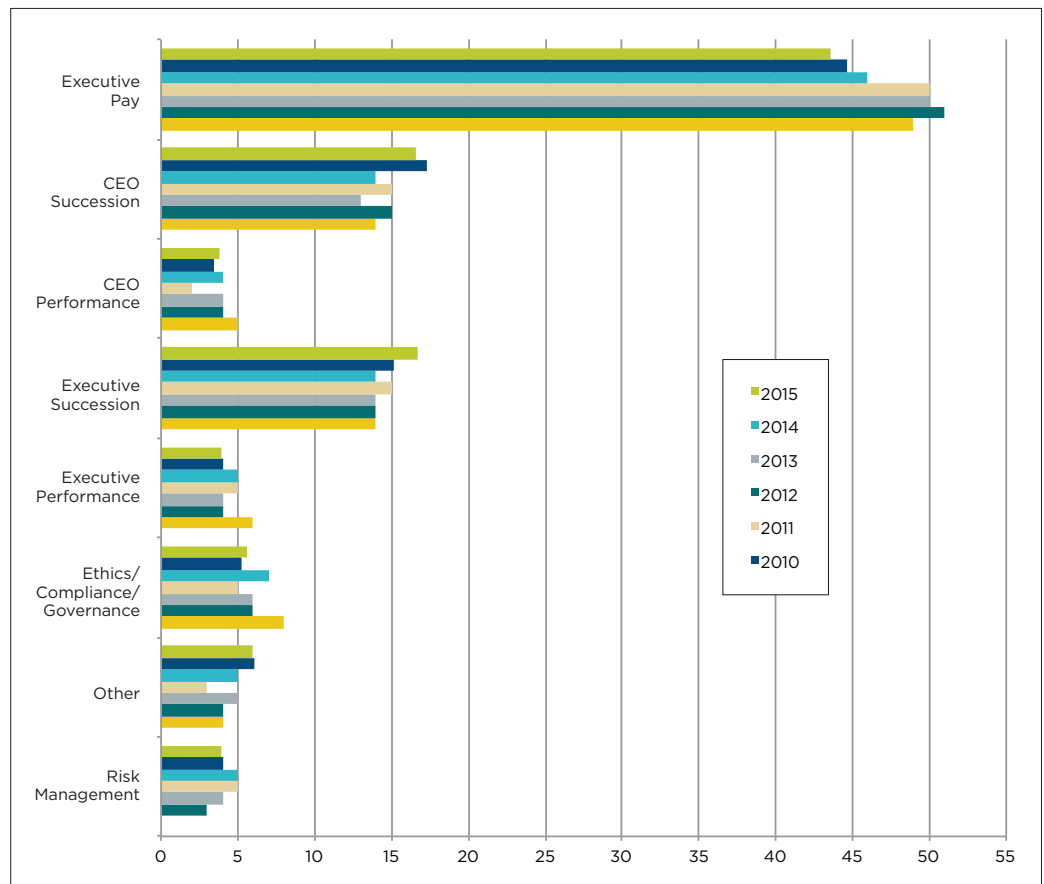
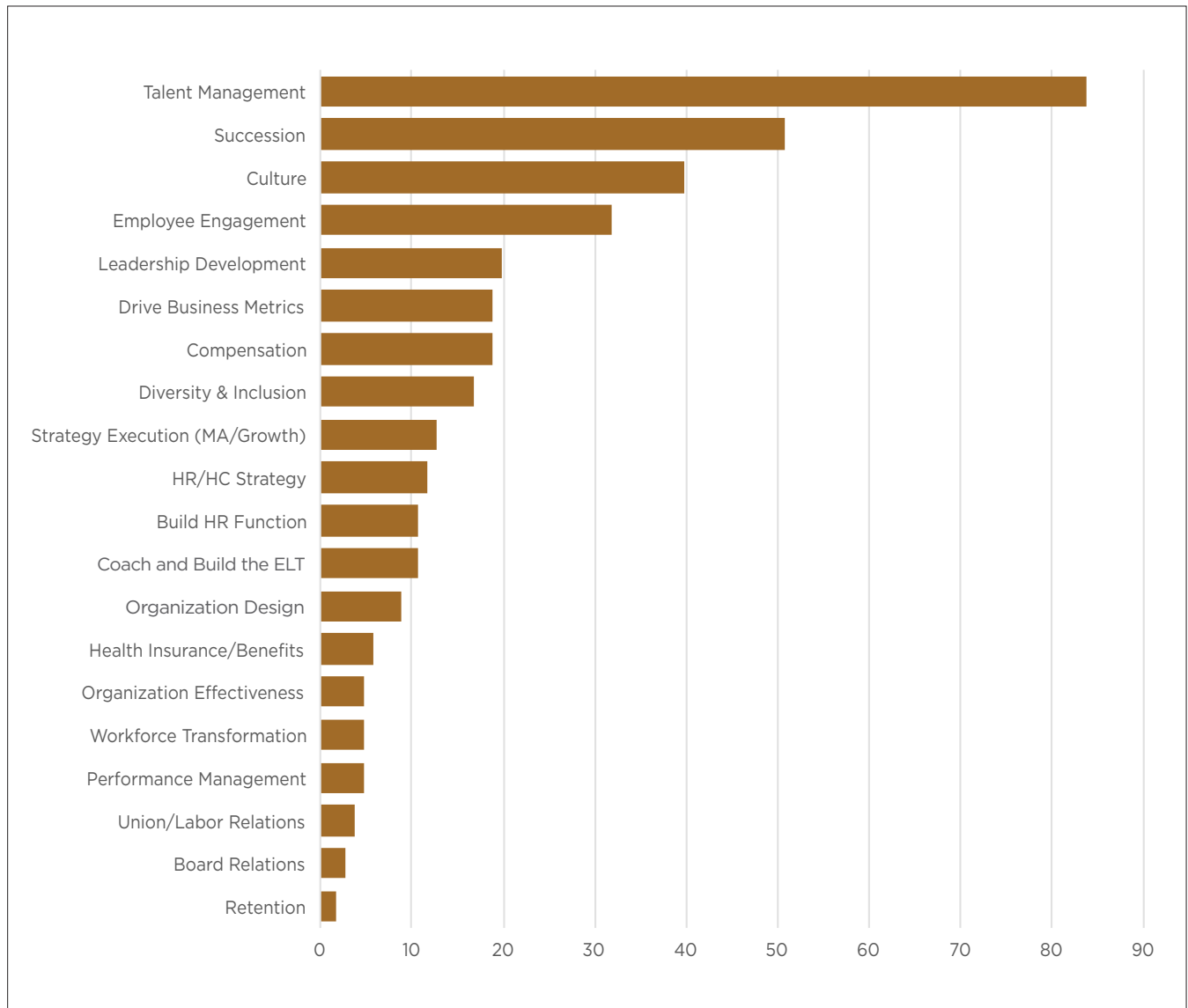


FIGURE 3. CEO's Top Priorities for the CHRO/HR Function



CEO'S AGENDA FOR HR

As with past surveys, we asked CHROs for the CEO's top 2-3 priorities for them and the HR function. These open-ended answers were coded based on the categories of HR priorities mentioned. As Figure 3 illustrates, Talent Management issues far outpaced any of the other topics, identified by 85 of the CHROs (63%). Succession trailed Talent Management with 50 (37%) CHROs listing that as a priority, followed by Culture with 40 (30%) and Employee Engagement with 32 (24%). Leadership Development (19%), Driving Business Metrics (18%), Compensation (usually

executive compensation) (18%), Diversity and Inclusion (16%), Strategy Execution (12%), and HR/Human Capital Strategy (11%) rounded out the top ten.

Note that talent drives the agenda for HR. Combined, Talent, Succession (C-suite talent), and Leadership Development (strategy for building talent) account for 40% of the total responses. In addition, 89% of the CHROs identified at least one of these three as agenda items of the CEO.

CAUSES OF SUCCESS AND FAILURE IN THE CHRO ROLE

A critical topic facing all CHROs is determining what differentiates between successful and failed executives in similar roles. In order to shed insight on this basic issue we asked two open-ended questions of the CHROs in our survey. First, we asked them “From the CEO’s perspective, what were the 2-3 areas in which the previous CHRO was weak?” While not specifically focusing on failure, most CHROs gained insight from the search firm and/or the CEO about where they felt the previous CHRO had skill gaps, probably those that they sought to fill with the new CHRO. Second, we asked them what they thought were the 3 most important determinants of CHRO success. The answers to these questions revealed both

overlapping and distinguishing competencies.

Regarding the areas in which the previous CHRO was weak, Failure to Build Trust with the board, CEO, and ELT emerged as the most frequently mentioned area, being identified by 26 of the respondents. Lack of a Talent/Process/Succession followed relatively closely as 22 CHROs listed that as a weakness. The next two issues, Lack of a Strategic Perspective (19) and a Lack of Business Acumen (17), refer to the need for more basic business knowledge. Relatedly, the Failure to Align HR and Strategy (15) rounded out the top 5 areas of weakness for their predecessors. As can be seen in Figure 4, a Lack of HR Expertise (probably those promoted from line roles), Failure to Change/Manage

FIGURE 4. Previous CHRO Weakness

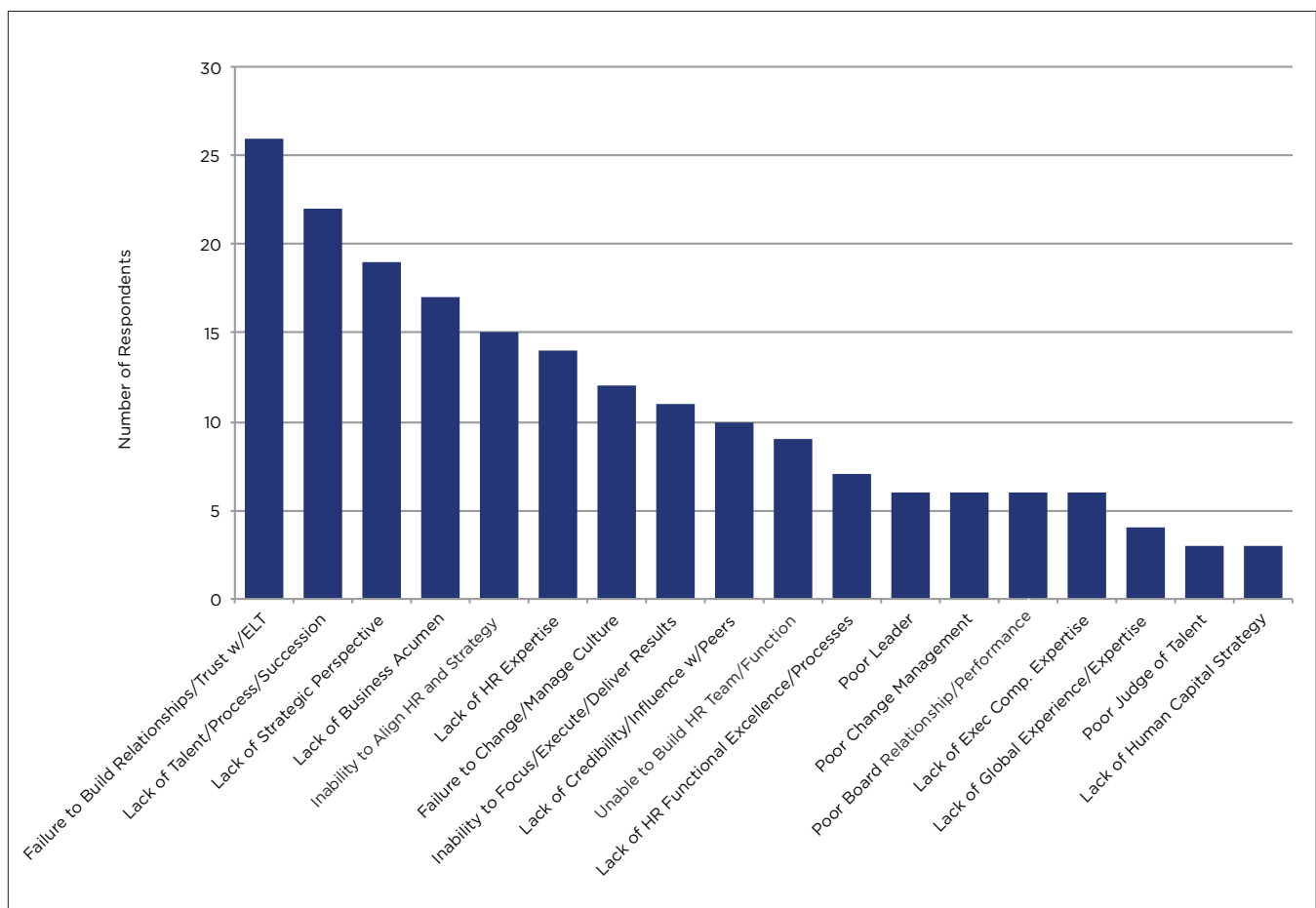
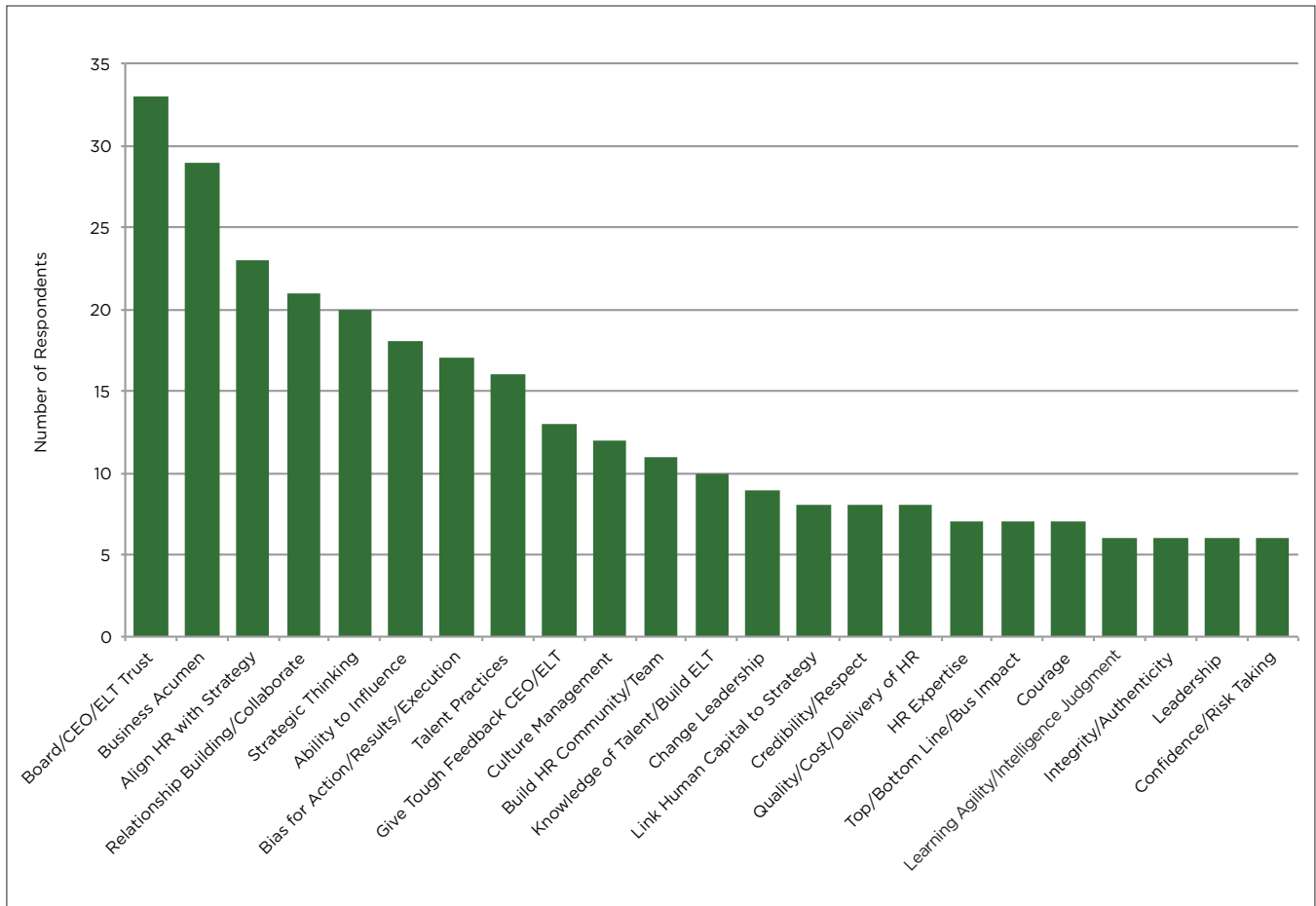


FIGURE 5. Determinants of CHRO Success



Culture, Inability to Execute/Deliver Results, Lack of Credibility/Influence with Peers all were identified by 10 or more CHROs. We also note the clear importance of aligning the HR function with business objectives. Combining the three categories that directly reflect the CHRO’s role in the greater business (i.e., Strategic Perspectives, Business Acumen, and Ability to Align HR and Strategy) shows that 51 CHROs reported that these were thought to be weaknesses in the previous CHRO. In combination, these three categories would be, by far, the largest single category.

Not surprisingly, CHROs identified similar areas as the main determinants of success. Again, establishing trust with the board/CEO/ELT topped the list with 33 CHROs

mentioning it. Business Acumen (29) ranked second, while Aligning HR with Strategy (23), Building Relationships/Collaboration (21), and Strategic Thinking (20) rounded out the top 5 determinants of CHRO success. As can be seen in Figure 5, the Ability to Influence, Bias for Action/Results/Execution, Talent Practices, Giving Tough Feedback to CEO/ELT, Culture Management, Building the HR Team, and Building the Talent of the ELT all received mentions by more than 10 CHROs.

The establishment of a trusting set of relationships with the board, the CEO, and the ELT is a critical determinant of CHRO success. In addition, the basic business acumen and ability to think strategically prove extremely important in the CHRO role. Finally,

CHROs must align HR practices/processes with the strategy of the business in order to succeed. These comments suggest the critical importance of understanding HR’s role in the greater business and HR’s ability to support firm strategy as a determinant of CHRO success. These areas highlight the Counselor/Confidante/Coach and Strategic Advisor roles that CHROs play.

Interestingly, Culture Management and Talent Practices seem to be areas that, if not done well, can spell disaster for CHROs, but may not be as critical for distinguishing success. When coupled with the Knowledge of Talent/Build the ELT, this points to why CHROs must successfully execute their Talent Architect role. However, while certainly important, these areas may be considered more table stakes for the CHRO role. Finally, the ability to build a strong HR team and strong set of HR processes rank

in the middle of the pack for both the previous CHRO’s weakness and determinants of success in the role, pointing to the importance of the Leader of the HR Function role.

ROUTE TO THE CHRO ROLE

Consistent with past surveys, we asked the CHROs to indicate their route into their CHRO role, providing them with four options: Promoted from within the function within the company, promoted from outside the function within the company, hired directly from outside, and hired from outside with the promise of being promoted. Figure 6 displays the results we have observed over time. Again, these results have not changed from last year, with nearly 60% saying they were hired directly from outside, 31% being internally promoted, and approximately 6% being promoted from

FIGURE 6. CHRO’s Route to the Role

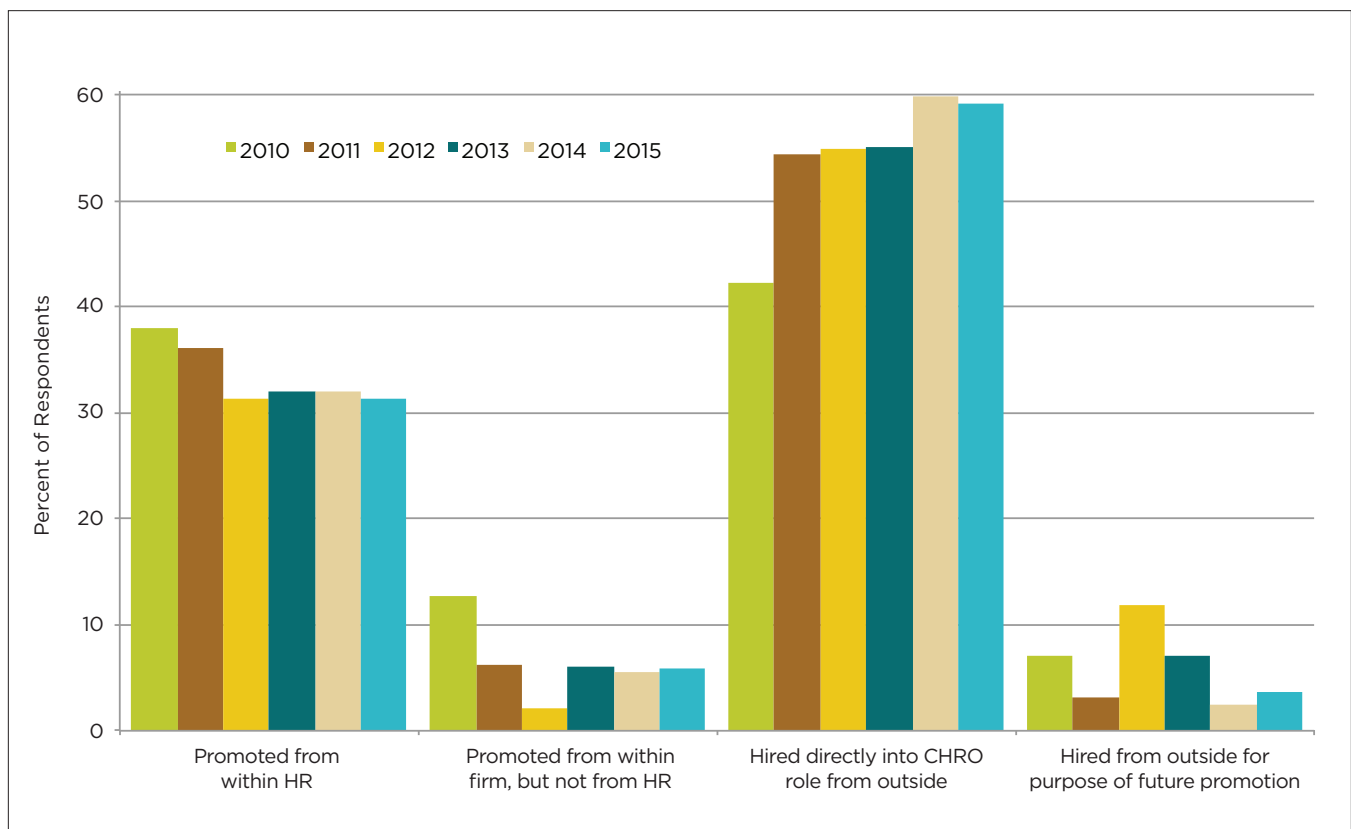
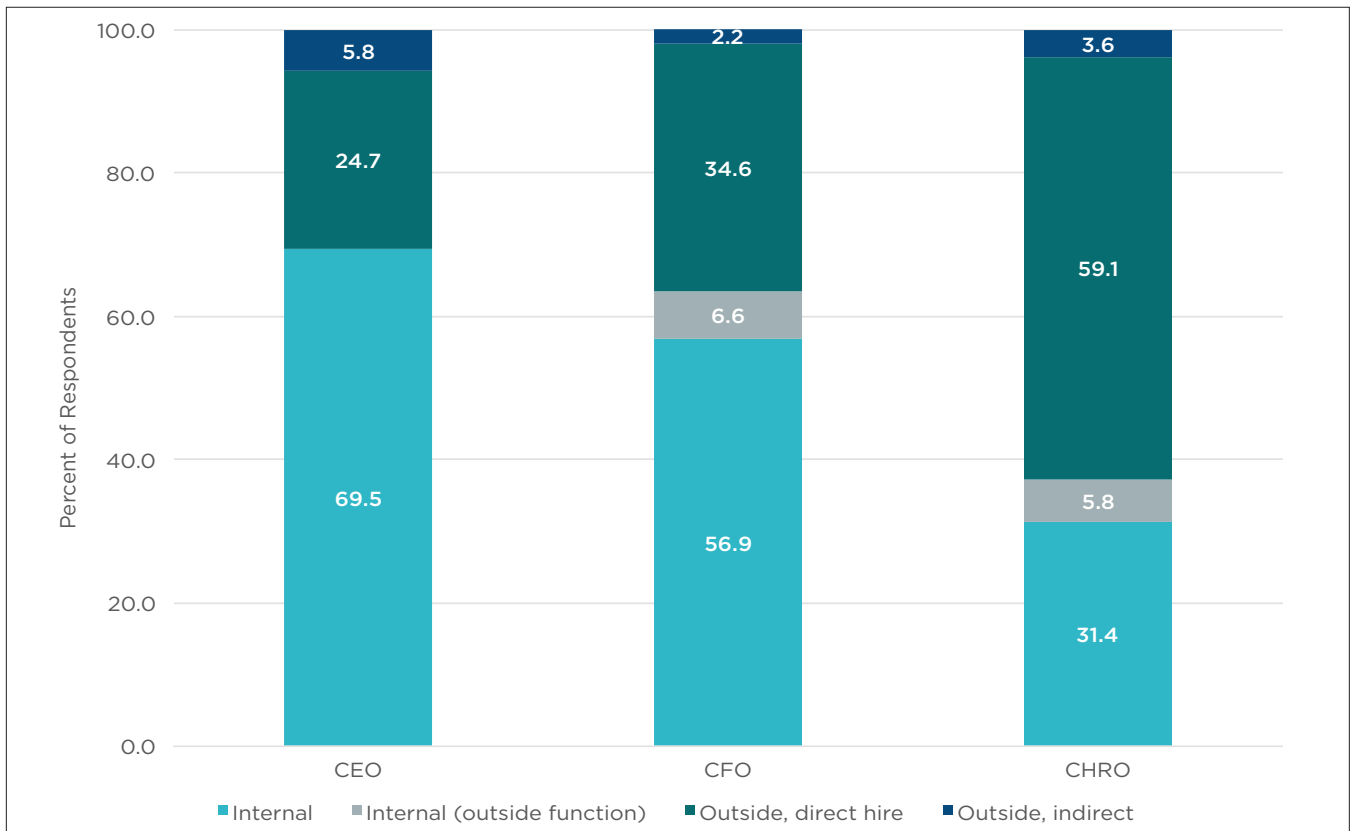


FIGURE 7. Routes to CEO, CFO and CHRO Roles



outside the HR function. Similar to last year, these results indicate a trend toward hiring from outside and away from internal successors being successfully groomed to replace the CHRO.

We asked the same question regarding how the CEO and CFO were hired into their roles in order to determine if this trend simply reflects common C-suite hiring paths. Sadly, consistent with our past results, we again see that the CHRO seems to be an anomaly. As Figure 7 shows, CEOs (70%) and CFOs (63%) were far more likely to be promoted internally compared to CHROs (37%).

Again, these results suggest some potential problems in the development of CHRO talent. First, these results could indicate that sitting CHROs do not devote enough time and energy to developing a successor. However,

these results might also indicate a preference on the part of CEOs to bring in individuals who already have held a CHRO role and have greater experience in that role in dealing with the board of directors. In addition, some have suggested that CEOs sometimes have a difficult time imagining an HR executive with whom they have dealt in lesser roles actually performing well in an elevated role. While certainly greater effort can go into developing internal successors, some anecdotal information suggests that the latter two explanations also play an important role. For instance, when Joe Ruocco retired from Goodyear, he had groomed 3 potential internal successors from which the CEO could choose. The CEO instead chose to go outside for his replacement. However, within months all three internals had taken on CHRO roles in other companies indicating that they possessed the competencies to be a CHRO but

for reasons of more personal preference were overlooked by the CEO. Thus, it may not be that our field does not devote sufficient attention to talent development, but that the uniqueness of the role presents obstacles different from other C-suite roles.

CONCLUSION

CHROs continue to spend their time similarly to how they reported doing so in the past, with most effort devoted to leading the HR function, providing talent advice, advising around strategy, and acting as a counselor to the CEO and members of the ELT. In addition, their time spent with the board continues to focus largely on executive compensation, CEO succession, and executive succession. The results over the past 6 years demonstrate strong consistency regarding the importance of these different roles.

Interestingly, CHROs report spending more time on “other” topics with the board of directors. In particular, boards seem increasingly concerned with diversity and inclusion efforts within the firms and look to the CHRO in this area. In addition, many CHROs report being asked to provide boards with information regarding innovative or best practices in HR. Together these results may indicate that boards increasingly recognize the importance of human capital issues to firm success, and thus ask for greater involvement of the CHRO.

This interest on the part of boards seems to be mirrored by CEOs as they clearly focus on talent as the major deliverable they want from the CHRO/HR function. CEOs also look to the CHRO to deliver on culture, employee engagement, and diversity/inclusion.

While talent dominates the CEO’s agenda for the CHRO, CHROs who deliver in this area well may not distinguish themselves, but those who do not seem to be replaced. Clearly, for CHROs to be effective, they must develop strong and trusting relationships with board members, the CEO, and the other members of the ELT. Failing to do so can result in firing, and doing so seems to be the most critical determinant of CHRO success. In addition, CHROs have to bring strong competence in business and a strategic approach to issues and the function. Again, failure to do so results in replacement, and having these competencies strongly determine a CHRO’s success.

Finally, CHROs remain far behind CEOs and CFOs in terms of internal succession, and far outpace these colleagues in terms of external hires. While these results continue to be problematic for the profession, legitimate reasons may exist why this is not necessarily indicting. However, it appears that if we hope to increase the number of internal CHRO successors, we may have to explore innovative ways to get these successors visibility with the CEO and the board in a way that enables them to display their business acumen, strategic perspective, and ability to build trust.



The Darla Moore School of Business building has generated significant buzz since it opened its doors in August 2014, both for its striking appearance and for the ways it promises to transform business education. Drawing on extensive input from students, faculty, staff and the business community about how space can be configured to optimize business education, the \$106.5-million building is the university's most ambitious construction project to date.

With its many sustainable features, the building is targeting LEED Platinum certification, making it a model for sustainable architecture and sustainable business practices. Its open and flexible design facilitates enhanced interaction and collaboration among faculty and students and makes the building an inviting hub for community engagement. In these and other ways, the building is a physical embodiment of the Moore School's commitment to forward-thinking leadership for the business community.

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