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The Three T's: What's Hot in the CHRO Marketplace

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by Marc Efron, Talent Strategy Group: Executive Search

CEOs continue to upgrade their CHRO talent with talent management, transformation and top team needs driving much of that change. Board members are increasingly prominent in the process and often interview multiple candidates. Our 2017 placements at TSG Executive Search show some clear trends in who's securing the CHRO role and why.

What CEOs Want – The Three T's

The CEOs we interview increasingly identify three capabilities that differentiate their preferred CHRO candidates:

- **Talent Management:** While not surprising given the heightened focus on this area, CEOs consistently list the ability to create strong talent management outcomes as their first priority in a CHRO. They expect their new CHRO to build and implement non-bureaucratic processes that identify and grow top talent. Lack of these skills is also the most frequently cited reason for replacing their current CHRO. Candidates who have either a specialist background in talent management, or generalists who come from an “academy” company known for great talent management, are far likelier to secure the top job.
- **Transformation:** The HR transformation trend continues with CEOs demanding CHROs who can restructure HR to have fewer, higher quality HR leaders and a more efficient organization. They also want CHROs who can accelerate and ensure the success of company transformation efforts outside HR. Terms like “risk-seeking” and “performance driving” are used to describe the ideal candidate.
- **Top Team Management:** CEOs are specifically requesting CHROs who can help them manage the top team. CEOs seek an aligned and operationally efficient team that works with minimum friction. For the CHRO, this means balancing the need to assess, coach and develop individual executives with their own role as a member of the team. The team effectiveness component requires a CHRO who understands the technical and emotional levers of successful executive teams and who can build the trust-based relationships that allow them to influence their peers.

What CEOs Assume

In our conversations with CEOs, some factors seem conspicuous by their absence but are now seen as fundamental and expected at this level, including:

- **Know and Love the Business:** Our client CEOs expect that candidates at this level will be “business junkies”¹ and will bring the same business knowledge and passion as their other direct reports. We're less optimistic that this is a common CHRO strength, but pleased that this is now a

baseline expectation of CEOs.

- **Operational Excellence:** Much like knowing the business, CEOs expect their CHRO to have the broad functional competence to manage traditional HR. No CEO has asked for someone whose strengths include being an operationally efficient leader, a recruiting expert, a compensation pro, etc.
- **Line Experience:** It's a plus but never mentioned as a requirement by CEOs, perhaps because they value the business knowledge displayed more than its source. Likewise, there's no demand to recruit non-HR leaders into CHRO roles. That lack of demand is consistent with our earlier research showing no difference in the results produced by CHROs with an HR background compared to those without one.²

Who's Going Away

The CHROs being replaced fall into two categories:

1. **Functionally Narrow:** These CHROs come from a narrow sub-functional specialty (i.e. compensation or recruiting) that was critical at some point in their tenure but is no longer sufficient. Recruiting is often a path to CHRO in smaller, fast-growing companies since those individuals have typically been with the firm longer and the firms' CEOs may not have a sophisticated understanding of what differentiates great CHRO talent. As these firms evolve, the CHRO doesn't broaden their other functional and strategic capabilities quickly enough and a talent upgrade is needed.
2. **Humanistic:** We often describe a deep belief in people and their potential as a "helpful but not sufficient" orientation for success in human resources. That humanistic orientation is marked by a focus on job satisfaction,

work environment, opaque performance management and other behaviors meant to ensure high employee satisfaction but not necessarily high performance.

We see this variety of CHRO quickly falling out of favor, especially in long-service cultures that need to increase performance and in quickly-growing mid-sized firms who require more rigor and discipline in talent management.

The Board Awakens

We see increased involvement by board members in both selecting in and selecting out CHROs. Increasingly aware of how talent influences results, board members have pressured the CEO to initiate a surprisingly large number of our CHRO searches. Boards (or at least their Compensation or Talent Committees) are often interviewing multiple candidates rather than just the finalist or none at all.

We find this to be both a blessing and a curse since board members' passion for the topic isn't always matched by clarity on what differentiates great HR talent. We expect this trend to increase as board members become more discerning about CHRO quality.

What's Missing

We'd like to hear more CEOs say directly that a CHRO should be their trusted business advisor. CEOs should expect their CHRO to have a strong voice in how the business is managed, be able to influence their opinion, be a confidant and an honest sounding board for critical issues. Too often CHROs, even very good ones, are relegated to their functional track even when they can benefit the business in many other ways.

1. Efron, Marc & Shanley, Jim, The 4+2 Model of Talent Manager Excellence, retrieved from <http://www.talentstrategygroup.com/publications/capabilities-competencies/the-4-2-model-of-talent-manager-excellence>

2. Does CHRO Background Matter? - Research Brief, Talent Strategy Group, retrieved from <http://www.talentstrategygroup.com/publications/hr-effectiveness/does-chro-background-matter-research-brief>

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