



The CEO's HR Imperative

CEOs must take action on something they have never seen done before: They must make HR strategic.

We believe the role of human resources is at the dawn of an enormous transition—a change that will drive better talent decisions throughout the company to create an edge over competitors. Imagine what happens when a CEO empowers an enlightened, ambitious human resources leader to revolutionize the HR model, turning the group into a powerful secret weapon. That HR “department” would thus become a business, bringing the company’s other units to new heights by unleashing the power of their talent like never before. Let’s call it the “revo-evolution.”

At the moment, however, many HR departments still perform mainly administrative functions. They’re largely underfunded, running operations and processes that in many cases have not changed in a decade or more. At a recent CEO Summit, we asked CEOs whether HR had indeed been mission critical to the successful execution of the firm’s strategy over the last year. Not a single CEO raised his or her hand. Instead, most ask and expect HR to help recruit, create succession plans, manage leadership development plans... and that’s about it. This has to change.

Meanwhile, CEOs desperately seek some type of advantage that can create breakout performance. Yet even as CEOs look to robotics, artificial intelligence and advanced customer analytics as potential answers, HR remains largely unchanged. It doesn’t make much sense: Talent and compensation are generally a company’s largest expense, but CEOs don’t demand enough from HR and certainly don’t see it as a catalyst for breakout performance.

HR, if run strategically, can unlock the true power of the talent inside their organizations. It’s an area that can help every other business unit to improve their ability to execute and innovate. Enlightened HR leaders and courageous CEOs should fundamentally remake HR into a business unit that thinks like a business, acts like a business, is funded like a business, and thus will undoubtedly improve performance and profits as never before. Being mindful that “revolution” is highly disruptive and today’s work still needs to be done, and “evolution” is too slow to offer competitive advantage, what CEOs need to do should resemble a “revo-evolution”—making bold changes thoughtfully while completely redesigning the way HR operates and thinks about its mission.



Gently blowing up the current HR model

First, say goodbye to the practice of HR generalists working alongside the business unit leaders as HR Business Partners. Generalist skills are less required, in favor of more competency in organizational development and strategy execution, including a relentless sense of urgency and business focus. The HR Business Partners need to be replaced with Account Leaders, a new title to match their new role. To match the service levels of the clients they serve or the professional service standards of the partners they hire, the skill levels must change dramatically. High mental and change agility are crucial. Their mission is to link all HR activities to the unit's actual business strategy and imagine new and different ways to unleash the power of talent.

Second, get rid of the "HR Centers of Excellence." These are to be replaced with a newly labeled group, the Products and Services Division, in which you'll find the leaders and staff who are driving talent acquisition, leadership development, learning, performance management, and all former center of excellence activities. "Commercial orientation" and "new and different" must be the key mantras for the leaders and staff of this division. This division is constantly figuring out what to invent, source, and deliver so the Account Leaders can have real impact in driving better performance in the businesses.

Next, develop an HR Operations and Customer Care Center. This division is where the machinery of the HR business lies, along with the management of the company's benefits and rewards offerings. This group manages vendors to raise the quality of care for employees on their 401(k) plans, medical insurance, and any other outsourced benefits. Treat it with the customer-centric approach of Apple or another top brand. Measure it using a Net Promoter Score approach and drive it to deliver terrific customer experiences.

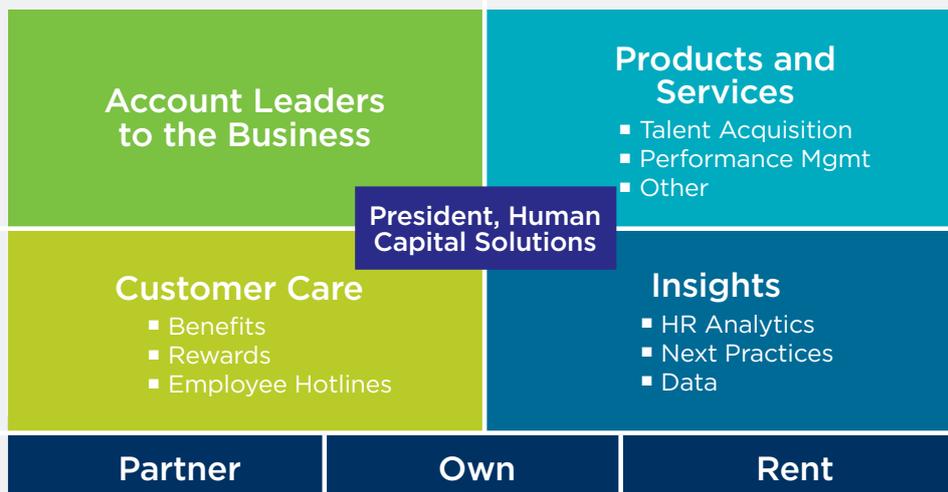
The next component of the "revo-evolution" is the development of an HR Innovation and Analytics Division. It's a skunk works/think tank/innovation center that stays on top of next-generation thinking and doing in the HR industry. It owns or rents the company's HR analytics capabilities and delivers insights to the business units and the HR Account Leaders. These are the people who empower the staff of the HR Products and Services Division to adopt new and better practices. They help the Account Leaders answer tough questions about HR's impact on results by parsing and slicing data so that rapid course corrections and cost-benefit decisions can be made. One client, using HR analytics, discovered that its 30 percent turnover in India was actually not a problem worth fixing. Instead, analytics revealed that, in this unique market, the cost of reducing turnover was higher than allowing it to continue.

Finally, get rid of the CHRO. Not the leader but the title. Put this person on par with their peers in the business and call him or her President, Human Capital Solutions. HR is now Human Capital Solutions in the business of HR.



The HR Revo-evolution Model

So now this reimagined HR model positions the HR leader to run HR like a business.



Underlying this model is a “Partner, Rent, or Own” framework.

Own

Owned resources are the HR unit’s organic capabilities, operated by the company. These functions require critical command and control that is better done by one’s own staff than outside providers. The mantra here is “Have just enough, but not as much as you think.” One HR leader told us, “I need to shrink HR to have more impact. That will enable me to be nimble and know what I don’t know by gaining knowledge from outside thinking. In the end, it may not be cheaper, but it will be less costly because we will have a larger impact on the business.”

Partner

A true strategic HR partner is an outside provider that does important work for you and closely resembles internal “owned” assets. It is, in fact, a true extension of your own assets. Importantly, partners must have the scale to service your enterprise. They are not easily replaced, nor should they be. Confident HR leaders do not see these partners as “just vendors” or competitive threats to their turf.

Right now, most HR units do not have this type of relationship with a third party. An effective partner helps drive decisions—sometimes under the radar, but helps drive them nonetheless. They enhance the President of Human Capital Solutions (the formerly-named CHRO). Unlike vendors, these providers wake up every day thinking about your business because you have formally committed to them strategically. Ideally, you locate them in your offices.



Rent

This is accomplished through vendors. They aren't quite as seamless or strategic as partners. They have niches, specialties, or regional capabilities. They're easily replaced and enable you to remain nimble. You can flex your fixed costs by expanding and contracting your work with them. They're helpful and important, but your firm's relationship with them is purely transactional.

The business of HR is crucial. The changing nature of work and people's expectations of employers is leading to an accelerated demand for results. While complexity and globalization makes it difficult for leaders to find the time to effectively lead, companies spend a huge share of the budget on compensation; that investment needs to be optimized. The results will be better hiring, better talent development, better performance management and rewards, better succession, better employee engagement and organizational health, better execution, and better business results. None of this will happen with an administrative HR function that is "running programs." It will only happen when HR evolves into a business, driving innovation into other parts of the company to solve problems.

We hope the next time we ask CEOs whether HR had a strategic impact on their success that we see all of them raise their hands.

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About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help companies design their organization—the structure, the roles and responsibilities, as well as how they compensate, develop and motivate their people. As importantly, we help organizations select and hire the talent they need to execute their strategy. Our approximately 7,000 colleagues serve clients in more than 50 countries.