

THE **SABPP™** FACT SHEET

FEBRUARY
/ MARCH 2023
NUMBER 2023/01

2023

EVOLVING ROLE OF THE CHRO

Introduction

In the various 2022 Fact Sheets we explored the evolving strategic landscape of organisations and its people practices. This served as part of the process of reviewing the HRM System Standards Model and the thirteen people practice Standards therein. For example, in the October 2022 Fact Sheet we explored the strategic people themes to understand our evolving context. We then surveyed the suggested future roles and skills for the HR function and HR practitioners to meet the demands of our evolving context in the November 2022 Fact Sheet. We also reflected on the maturity models of HRM in the December 2022 Fact Sheet to think through HR systems in organisations and how these evolve, and to consider the levels of maturity of the people champion or stewardship role. We had identified both the people management and people champion roles that HR practitioners play as an employee and as a professional.

In the present Fact Sheet, we will explore the evolving role of the Chief HR Officer (CHRO). As with the evolving context, organisations, and their maturity levels, the role of the CHRO continually evolves. The CHRO's relationship with the C Suite and Board is also continually evolving. This was made starkly clear during the height of the COVID pandemic where CHROs and the HR function were at the heart of organisations' contingent and then tactical and strategic responses to the impact of the pandemic on business continuity, the workplace, the workforce, and individual workers. CHROs were 'at the executive table' and with line management 'in the trenches' to operationalise and realise contingency plans: from advising and leading the Board and EXCO on the organisational response and preparing the sites of work during the various stages of lockdown to equipping workers for remote work and helping workers and their families with the many losses wrought by the pandemic.

In this Fact Sheet we explore the evolving breadth of scope of the CHRO and how they straddle the multifaceted stakeholder and operating spaces. We explore the shifting demands of the CHRO from their multifaceted roles and the strategy, operations, and the culture and politics of the organisation. We discuss the CHRO at the Board, EXCO, and the HR function levels. In these discussions we refer to relevant surveys and frameworks, including on the competencies of the CHRO. However, we also caution on the need to critically evaluate the research design (including sampling) of the surveys and how we generalise from these to the South African context. On this note, we share observations from South African HR executives on the CHRO role during the pandemic and in the post-pandemic world.

Navigate the menu by clicking on desired heading.

INTRODUCTION

MULTIFACETED STAKEHOLDERS, SPACES, AND ROLES OF THE CHRO

WHICH SUBSET OF STAKEHOLDERS DO CHROS PAY ATTENTION TO? AND WHAT INFORMS THIS?

THE DEMANDS AND COST OF CHROS' MULTIFACETED ROLES

CHRO TURNOVER, PATHWAY, 'SECOND ACT', AND GENDER REPRESENTIVITY

REFLECTIONS FROM A SOUTH AFRICAN PERSPECTIVE

CHATGPT ON CHROS IN THE FUTURE

CHROS MEETING THE DEMANDS OF THEIR MULTIFACETED ROLES

CHRO AT THE BOARD AND EXCO

CHRO AS A MEMBER OF EXCO, PROVIDER OF BOARD REPORTS, AND AS NON-EXECUTIVE DIRECTOR

CHROS AT THE HR FUNCTION LEVEL

CONCLUSION

REFERENCES

Multifaceted stakeholders, spaces, and roles of the CHRO

The Society for Human Resource Management (SHRM) defines the Chief Human Resource Officer (CHRO) role as follows:

“

[CHRO is] responsible for developing and executing human resource strategy in support of the overall business plan and strategic direction of the organization, specifically in the areas of succession planning, talent management, change management, organizational and performance management, training and development, and compensation. The CHRO provides strategic leadership by articulating HR needs and plans to the executive management team, shareholders and the board of directors.

We also find the interchangeable use of terms such as Chief People Officer (CPO) – however, some may use it to differentiate CPO as strategic people leadership and CHRO as the management of the HR function. The designation HR Director may be used to indicate standing and defined roles within EXCO or the top management team (C Suite executives) and Board of Directors. Being a director within a company implies certain legislated duties and liabilities, as in the Companies Act¹ for example, and professional and ethical conduct as defined by good governance codes such as the King Code² and codes by professional bodies such as the Institute of Directors South Africa (IoDSA). The subsection on the CHRO at the Board will explore these issues further.

The CHRO is working within stakeholder and operating spaces that are increasingly more multifaceted. There are diverse sets of stakeholders from a range of institutions as well as levels within an organisation. Traditionally, we differentiated stakeholders in terms of the internal and external environments of the organisation; and we differentiated the internal environment into two major categories of ‘employees’ and ‘employers (or managers)’. Boundaries, however, are shifting and being reframed. For example, we find organisational boundaries are blurring; the workforce is changing with the increase in contingent, gig, project-based work; and integrated reporting is evolving to include the various impacts of the organisation in different spaces inside and outside of the organisation³. Thus, we find CHROs adapting to have a more nuanced appreciation of various spaces: their operating spaces, the operating spaces of their organisation, the spaces impacted on by the organisation, and the spaces of their stakeholders. And they are also developing an appreciation of how different boundaries will be in the future world of work.

The diverse sets of stakeholders range from role-players in the organisation to those impacted on directly and indirectly by the organisation, all of whom have both convergent and divergent interests and needs. These diverse stakeholders and their converging and diverging interests and needs is the field the CHRO is navigating and negotiating on a day-to-day basis. This means that CHROs are taking on different hats or roles in their day-to-day duties as they straddle and work the stakeholder and operating spaces to achieve the business and aligned HR strategies.

How can we describe or frame these roles? The below graphic on the right from the 2020 Centre for Executive Succession (CES) report shows one way of framing these roles, from advisor and counsellor to liaison and sensor. These roles were identified in their 2008 interviews with CHROs and is the basis for their annual survey where CHROs rate the time they spend in each of these roles. The graphic illustrates the ratings of time spent in these roles from 2016 to 2020. The table on the left provides descriptions of the roles. As can be seen in the graphic on the right there is no major shifts in ratings of the roles year-on-year.

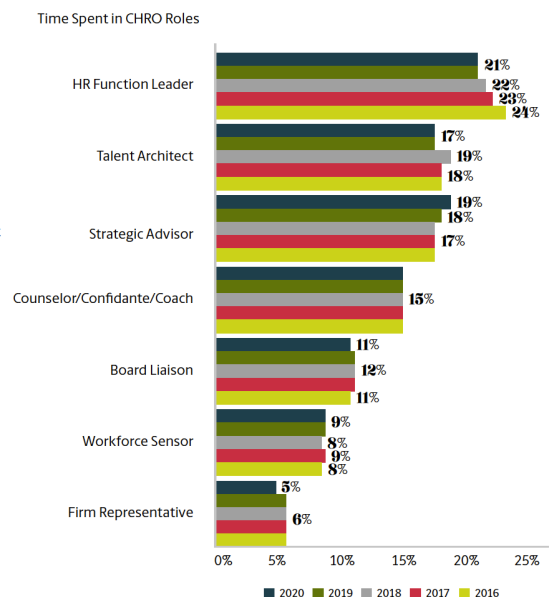
1. <https://www.gov.za/documents/companies-act>

2. <https://www.iodsa.co.za/page/king-iv>

3. See the December 2020 Fact Sheet on future organisational forms, organisational boundaries, and integrated reporting implications: https://cct.mycpd.co.za/SABPP/FactSheets/2020/fact_sheet_december_2020.pdf.



ROLE	DEFINITION
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 government agencies, investor groups, proxy advisory firms, professional societies, etc.



Source: Centre for Executive Succession (2016 ⁴ , 2020 ⁵), University of South Carolina

Reviewing the 2022 Academy to Innovate HR (AIHR) report, we could now suggest the need to shift how we frame these roles. That is, a shift in framing to custodian, champion, compass, and sponsor roles as illustrated in their graphic below. There is continuity in the confidant, coach, and advisor roles across the AIHR and CES reports⁶. This means not just being 'at the table', but also shaping and taking care of the 'table' at the top. The AIHR report also differentiates the roles taken up by CHROs with the different stakeholders. For example, a trusted confidant to the CEO and a custodian of ethics and continuity to the Board. Here, we can see the straddling of the people management and people champion roles by CHROs as with other HR practitioners. Perhaps here, though, the CHRO is navigating these roles simultaneously at different levels of the organisation. And we can add that the CHRO 'at the table' acts as the organisational champion, not just people champion.



Source: D. Veldsman (AIHR, 2022)⁷

4. https://sc.edu/study/colleges_schools/moore/documents/ces_research/changing_chro_role_2016.pdf

5. https://sc.edu/study/colleges_schools/moore/documents/center_for_executive_succession/chro_survey_2020_report_2.pdf

6. We should note that there are many reports and surveys available on the evolving CHRO role. We may find that the terms such as advisor, coach and compass may be used repeatedly across time. Perhaps then the difference may be in the emphasis and the meaning attributed to the terms.

7. <https://www.aihr.com/blog/human-resources-leaders/>



Wright, McKinnon, Antoine, Sartain, Boudreau, & Pace (2011) explain HR being 'at the table' and provide the temporal setting of this as follows: "Whereas the 1980s saw HR leaders talking about the need to be "at the table" (meaning part of the executive leadership team with responsibility for developing strategy), in the 1990s HR leaders increasingly achieved this position" (p2). This suggests that the CHRO's relationship with the C Suite team and Board evolves in a cyclical manner at times – meaning the constant labour and politics to be invited 'at the table' and maintain a seat 'at the table'.

Perhaps then we need a more nuanced understanding of CHRO's proximity, relationship, influence, and leverage with the Board and the top management team that looks at various factors such as the:

- external and internal environment
- industry tradition and dynamics
- institutional characteristics and dynamics
- organisational (structural and cultural) aspects
- and other contingent variables (Abt and Knyphausen-Aufseß, 2017; Reutzel, Belsito, & Collins, 2016).

See for example the illustration of the model of different variables informing Abt et al's research on page 60 of their publication:

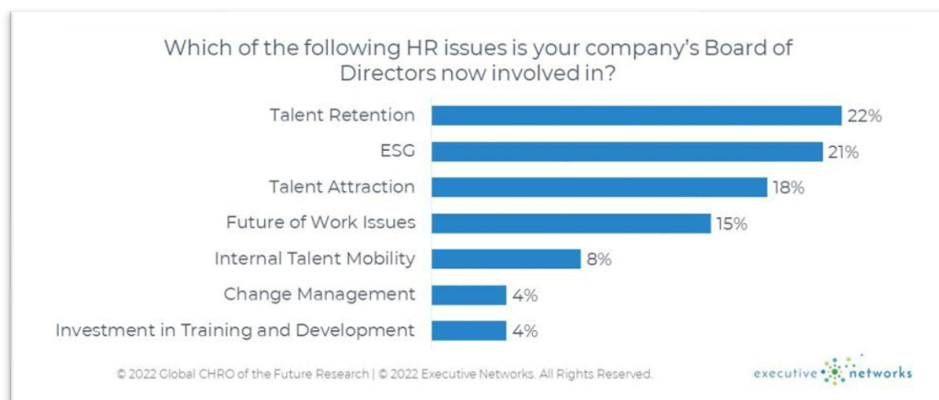
<https://link.springer.com/content/pdf/10.1007/s40685-016-0039-2.pdf?pdf=button>

It is important to note the suggestion by Belsito, Reutzel, & Collins (2018) that the "consideration of whether HRM representation in top management shapes firm level outcomes remains relatively absent from extant research" (italics added, p1401). This is in the context of research on the impact of other business functions:

“

The influence of business function leaders on firm level outcomes has been the focus of strategic leadership scholars (Carpenter et al., 2004). A subset of this research has examined the influence of business function leaders such as COOs, CFOs, CMOs and CIO's, as a result of their representation in top management, in shaping a firm level outcomes" (ibid).

Although there is the absence of research on HR representation in top management and the impact on organisational level outcomes, we can note that HR issues are increasingly represented and deliberated on at the Board level. Executive Networks' report on their Global CHRO of the Future research, with 112 CHROs in global companies, suggest the following HR issues on the agenda of their respective Boards as illustrated below. We can note the diverse range of issues from the talent ecosystem and talent mobility to environmental, social, and governance (ESG) issues and the future of work.



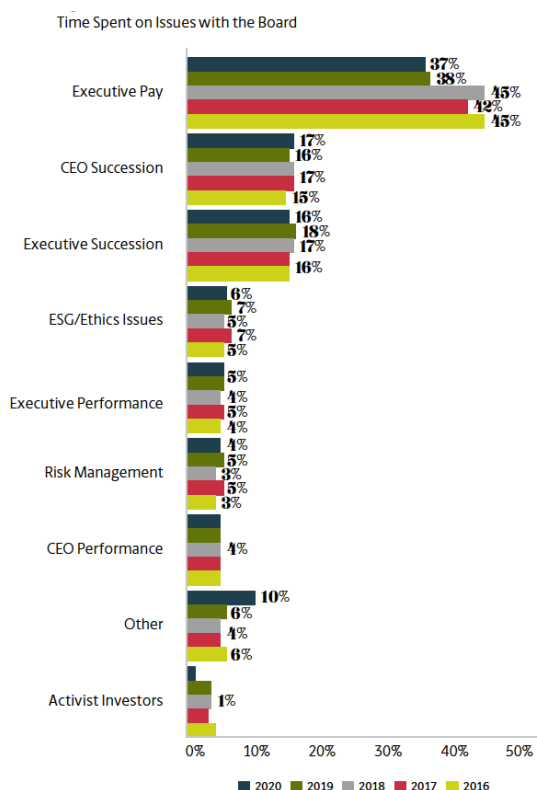
Source: Executive Networks (2022) ⁸

8. <https://go.mequilibrium.com/rs/553-GRV-433/images/meQ-CHRO-Future-rp.pdf>





The 2020 CES report shows the rating of time spent by the Board over the years with the predetermined list of issues, as illustrated in the below graphic. We can note some contrasts with the Executive Networks report, for example, on ESG. We may need to consider that rating what is on the Board agenda versus rating time spent by the Board on predetermined agenda issues may lead to rating score differences. This suggests that we need to be clear in our constructs, that is, we need to be clear on what and how we are measuring. It also cautions us on drawing generalisations from the cited surveys, and the need to critically examine the design and methodology of the research.



Source: CES (2020) ⁹

Which subset of stakeholders do CHROs pay attention to? And what informs this?

Wright and Steinbach (2022) in their review argue that although there is attention given to stakeholders within Strategic HRM, it has tended to focus on a narrow set of stakeholders. They suggest that the SHRM literature mostly focus on the customers and employees of organisations and “how HR practices impact firm financial performance as mediated by whether they enhance or detract from these stakeholders’ outcomes” (p22). This results in a narrowed “economic paradigm” (ibid) that only focuses on economic interest and benefits of this subset of stakeholders and how it impacts the “short- and long-term benefits to shareholders” (ibid). They do not argue that we should not focus on this subset of stakeholders and economic value and benefits. They argue that we should acknowledge that this a narrow set of stakeholders and one of the dominant paradigms through which we view these stakeholders and the impact of the organisation. Thus, they state that this treats “stakeholders as a means and shareholders as the ends” (ibid).

9. https://sc.edu/study/colleges_schools/moore/documents/center_for_executive_succession/chro_survey_2020_report_2.pdf

The demands and cost of CHROs' multifaceted roles

A 2022 CIPD webinar addressed what it means to be a HR Director and what are the demands confronting the HR Director from the organisation. It was informed by a survey conducted with fifty-five HR Directors in Europe and Asia-Pacific. The following fourteen themes from the survey were identified, as indicated in the below extract from the presentation at the webinar.

14 themes

- What it means to be a director, legally
- Breadth of responsibility and knowledge of the business overall
- Perspectives on leadership and behaviour– thinking like a director
- Roles relating to other directors
- How HR directors add value
- Managing legacy
- Educating the organisation
- Politics
- Long-term, systemic perspective / from tactics to strategy
- Behaviour of key players
- Connectedness
- Doing less to achieve more
- Coaching and coaching culture
- Work-life balance

Source: CIPD (2022) ¹⁰

We can see similarities with the multifaceted roles discussed in the previous section. The themes illustrate the different demands on the CHRO, from being a director (and understanding what it means to be a director in terms of legal duties) to taking on different roles in relation to strategy, operations, and the culture and politics of the organisation. There is a 'breadth of responsibility' that challenges and stretches the CHRO, who needs to report on, and is evaluated on, their business contribution in the C Suite and at the Board. This breadth though impacts on the CHRO's cognitive bandwidth, prioritisation, work-life balance and how they develop their own legacy. It has a cost for the CHRO in terms of their wellbeing, their career longevity, risks and governance exposure, and isolation or loneliness experienced by them in the organisation. At times they are in a precarious position as they are the sole voice and advocate for the employees¹¹. There is also precariousness as the 'rules of the game' and the power dynamics within the organisation may constantly change. This can be exacerbated by an organisation's assumption that the CHRO does not require coaching and mentoring to help them transition into the CHRO role, resolve their self-doubt or experience of the imposter syndrome, and develop and grow themselves and their capabilities and resilience in the role.



The webinar can be viewed at this link where the panellists explore the above points in more detail: <https://www.cipd.co.uk/learn/events-networks/webinars/wish-i-had-known-hr-director>.

During the pandemic we clearly saw CHROs navigating and negotiating various demands from the different levels and risks of the organisation. That is, shaping and taking care of the table at the top, but also taking on the hands-on operationalising of business contingency and continuity plans with line management to ensure the survival and sustainability of the organisation through the pandemic.

¹⁰. <https://www.cipd.co.uk/learn/events-networks/webinars/wish-i-had-known-hr-director>

¹¹. "[...] sometimes, as a CHRO, you're the only person in the room standing up for employees and advocating for what is right" (interview with H Kortright, Senior Vice President of People at Ellucian: https://www.heidrick.com/en/insights/podcasts/episode_38_the_chros_evolving_role_in_the_digital_age).



“

“[With the COVID pandemic we as CHROs] no longer just have a seat at the table. We have a real piece of the table now. There’s true real estate here [...] It’s like what Michelle Obama said: If you have a seat at the table and you don’t use it, get out because someone else could use it who will get in there and do the work. So, we have a responsibility to this moment. [Part of that responsibility involves becoming a] voice of the company.” - D Carter (CPO) quoted in HR Executive publication¹²

“As the breadth of areas touched by HR expands, so too does its internal and external influence” (ibid).

What are the costs of trying to be the voice of the organisation and meet the various demands of strategy and operations as well as the different levels and risks of the organisation? In recent months there has been much global and local discussion of the burnout of CHROs and the increasing turnover or exodus from the CHRO role. This is congruent with the discussion in the cited CIPD webinar as well as the various webinars hosted by the SABPP and other South African bodies during lockdown and post-lockdown from 2020 to 2022. However, we need to also consider the possibility that CHROs, with their deep involvement in the business management during COVID, might make career moves to other roles or functions, meaning that they may take on roles in the business itself or in entrepreneurial ventures.

“

“A lot is being asked of HR leaders. Their workload has increased significantly since COVID, yet they haven’t been given the resources to address it”

- C Schmidt, AllVoices¹³

HRE’s What’s Keeping HR Up at Night 2022 survey¹⁴ suggests that in the US: “[...] 86% of human resources executives say their stress has increased in the last year—44% say their stress levels have increased “dramatically.” Eleven percent say their stress has stayed the same, and just 3% say stress has decreased in the past year.”

CHRO turnover, pathway, ‘second act’, and gender representivity

The Talent Strategy Group report¹⁵ suggest the following trends in 2022:

Turnover:

“There were 30 Fortune 200 [company] Chief Human Resources Officer and Chief People Officer appointments in 2021, resulting in a 16% CHRO/CPO turnover rate [in this group of companies]. This is an 11% increase in turnover from 2020 where there were 27 CHRO/CPO appointments, but lower than 2019’s turnover rate of 19%. At a 16% annual turnover rate, the projected tenure of the average CHRO/CPO is 6.25 years”

“Larger revenue company CHROs were more likely to experience turnover than smaller revenue company CHROs [...] A CHRO in the Fortune 50 was twice as likely to experience turnover than a Fortune 150-200 CHRO. There is a high correlation between Chief Executive Officer and Chief Human Resources Officer turnover.”

12. <https://hrexecutive.com/seat-at-the-table-hr-now-has-a-real-piece-of-the-table/>

13. <https://hrexecutive.com/burnout-and-resignations-are-rampant-in-hr-what-leaders-need-to-know/>

14. <https://hrexecutive.com/burnout-and-resignations-are-rampant-in-hr-what-leaders-need-to-know/>

15. <https://talentstrategygroup.com/chro-trends-2022-report/#:~:text=There%20were%2030%20Fortune%20200,2019's%20turnover%20rate%20of%2019%25>





Pathway:

"[There is the] steady decline in the selection of internal successors for the Chief Human Resources Officer role in the Fortune 200 [...] The pathway for a first-time CHRO role still predominantly flows through internal succession with 85% of first-time CHROs coming to the role through internal succession."

Second Act:

"CHROs have a "second act" after serving as a CHRO. While 35% of the departing CHROs outright retired, 31% of the departing CHROs took on a new or bigger role within the company – most notably a Chief Administration Officer role or Advisor to the CEO role. An additional 12% took a lateral move into a business role. The remaining are actively searching for their "second act" or serve as consultants."

Gender:

"While the CEO role in the Fortune 200 saw a decline in female representation, Human Resources continued to see an insurgence of female Chief Human Resources Officers."

Reflections from a South African perspective

We have gathered the reflections of some of the SA HR executives on their view of how the CHRO role has evolved during the pandemic and how they see it evolving in the post-pandemic world.

There were many challenges we all faced during COVID. While it was imperative to keep everyone safe, we needed to quickly adapt and change our ways of thinking, working, communicating, managing, and engaging employees, and addressing overall wellbeing. With emphasis not only on our employees' wellbeing, but their families' wellbeing as well. We needed to remind management of the "human" in Human Capital; and implement a new employee experience drive within the company.

Post-COVID, CHROs need to stabilise the "human" foundation. We need to go back to the basics: create a new a world class culture, rebuild trust, develop safe places to have robust discussions, and provide space for flexible and hybrid working models as well as being vulnerable with each other. Now is the time that we have to focus on overcoming dysfunctional teams, and it all starts with leaders being vulnerable, spending time with their employees on a weekly basis and secure a feeling of belonging. Remember, employees need attention, not feedback. We need to bring out the human side again and redevelop employees' emotional and psychological commitment to the organisation and its purpose. Further we need to rethink how we evaluate our employees' performance. I am of the opinion that we need to change performance evaluation to personal behaviour evaluation and do it fast. Performance evaluation is all about feedback, and the employee automatically falls to default mode, the three F's, flight, fight, freeze. After all, it is behaviours that drive an employee's performance, accountability and commitment, and what makes a world class employee and team player.

We need to prioritise personal development and growth across the workforce; recognition and praise for good performance; and provide an environment where our employees find meaningful employment and at the same time improve overall employee engagement. We need to re-establish and embed what our companies' purpose are, ask the question do we live our values, and continuously clarify what we see as winning behaviours within our company.

Prof Francois Sieberhagen

Executive Head Human Resources, VKB Group; SABPP Board member; Adjunct Associate Professor at the University of Free State



This is a very intense and exciting time for the HR Community. It seems to me that the advent of the pandemic with its accompanying lockdowns formed the catalyst for a transformation of the HR function and the HR Leader! Since this was ultimately a humanitarian crisis, the extreme nature of the situation cast into sharp relief the importance of having a capable CHRO and HR Function. CHROs that were not up to the task were found wanting and those that were, were vaulted in terms of their importance to the organisation. Ultimately, everyone understood that we were never going back to the way things were and that things had changed forever. In many organisations, hybrid and remote working models were incorporated as a permanent feature, along with the need for new management techniques to cope with them. Suddenly, new technologies were furiously embraced in order to allow for business continuity. The CHRO was called upon to lead the way in terms of appropriate cultures, working processes and the development of the appropriate capabilities.

Lockdowns, especially the type of severe lockdowns favoured by South Africa, have consequences. It's impossible to shut down an entire economy for lengthy periods without consequences. As if that were not enough, since the beginning of 2022, global geopolitics have had a dramatic impact on the world. The World Economic Forum, in their Global Risks Report 2023 identifies the following five risks for South Africa: 1) state collapse; 2) debt crisis; 3) collapse of services and public infrastructure; 4) cost-of-living crises; and 5) employment and livelihood crisis.

Each of these potential crises on their own are dangerous but a combination of two or even several of them would be potentially deadly! These are dangerous times. All of us who are currently negotiating level six load-shedding understand this instinctively. There is a very unsettled mood that is pervasive in our beautiful country at present. The general populace is not happy! People are angry and there could be economic and social disaster if urgent action is not taken. Between eight and twelve hours without electricity daily will have an impact on food security, job security, the ability to run a business, quality water supply and other important aspects of daily life. The negative impact on GDP and the inability to recover from the lockdown years is tangible.

These fragile times will require capable leadership in both the public and private sectors. All of the risks identified above will test the capabilities of leaders. These risks are once again existential and CHROs will once again be required to step forward and manage the consequences with skill, dedication, calmness, proficiency, intelligence, and empathy. The technological evolution that is unfolding before our eyes will continue unabated! Robotics, AI, and transhumanism are here to stay and CHROs will need to adapt to new circumstances ushered in by technology and they will need to lead employees to adapt and adjust to these new technologies. Much will be required of the modern CHRO, but one thing is for sure, it will not be a boring time! The convergence of current risks and technological advancements will challenge CHROs, but it will also present the opportunity for them to step forward and take the lead in order to help their organisations to navigate these challenging times! I, for one, am so glad to be in HR at this historic time!

Brigitte Da Gama
HR Executive, Deigobert Consulting

During the pandemic the CHRO role has become more humanised and business-centric simultaneously as there is the need to lead the narrative around the systemic relatedness of deeply complex human challenges and opportunities and the impact this has on delivering on the business strategy.

CHROs needing to be bold in leading the way organisations do work is emerging as a massive opportunity in the post-COVID world. The difficult part is understanding the impact of the "new" way may have on very strong (and normally positive) cultural and learnt behaviours at a belief system level of the organisations leadership teams. Navigation of the change journey needs to be both delicate, human-centred but deliberate. This means the CHRO will need to be doing more stakeholder engagement at a C-Suite level than ever before. The next key challenge for CHRO is living up to the expectations at a board level, this was often very targeted engagement in the past, but now it is front and centre in the same way as core aspects of business.

Steven Teasdale
Chief People Experience Officer, Discovery



There is growing dissatisfaction with human resource management that it is over-centralised, excessively bureaucratic, and rule-bound; focused on form rather than substance and results. In South Africa and the African continent human resource planning is weak. Post-filling and promotion criteria over emphasise educational qualifications and seniority, and little or no emphasis is placed on the requirements of the job to be done. Performance and talent management is also underdeveloped.

MNCs face immense challenges in attempting to increase efficiency and effectiveness, and reduce costs, at the same time as improving the quality and extending the benefits of services. The twin challenges of redressing labour market inequalities and simultaneously and rapidly creating competitive capabilities are daunting, often competing, but unavoidable HRM challenges. For example, in South Africa there exists the double transitional challenge to redress the historical inequalities, and to simultaneously and speedily develop its human capital capacity to compete in a harsh global economy.

There is a real need for a synergy between two ostensibly competing priorities. These are (1) fair employment practices and workplace justice, and (2) high performance for effectiveness and global competitiveness. There are times when these seem dissonant with each other. In South Africa, the focus in the past has been more on industrial relations and fair labour practices than on competitiveness through human capital.

Gomez and Sanchez (2005) have observed that HR can often play a strategic role in building social capital in the process of balancing local and global forces. They argue that HR can be critical in helping MNCs deal with local differences while also helping the company implement practices that are critical for its global strategy and local development needs. In other words, good HR practices can create social capital in locally adaptive ways.

Prof. Dr. Ambassador Tal Edgars
Group Executive Chairman, GBSH Consult Group Worldwide

ChatGPT on CHROs in the future

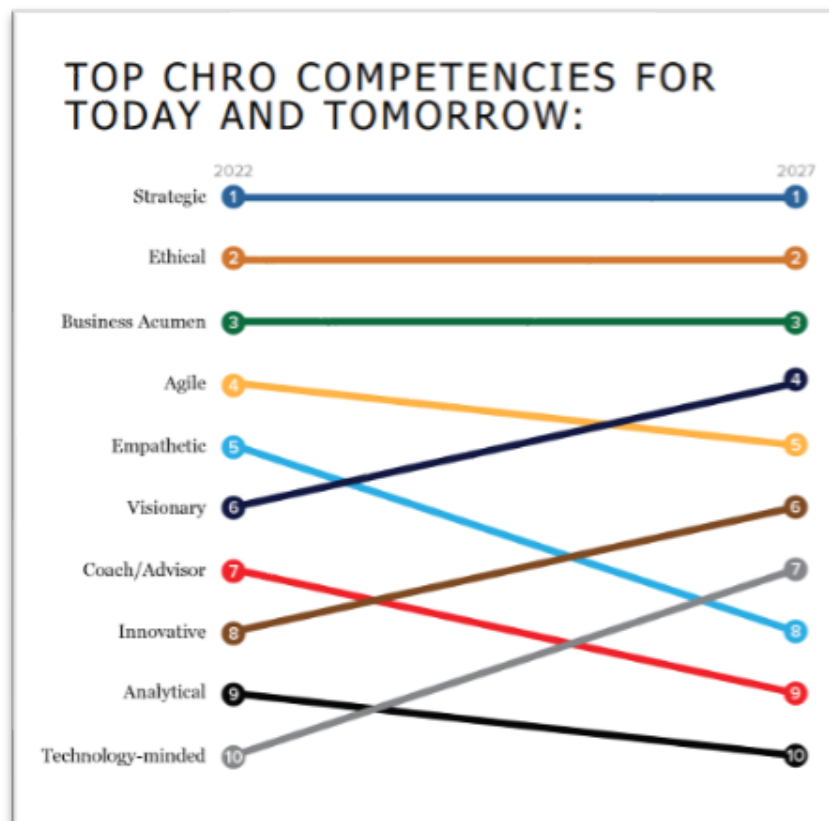
To a simple prompt “will we need Chief HR Officers in the future”, ChatGPT provided the below response:

It is likely that the role of the chief human resources officer (CHRO) will continue to be needed in the future. While the specific responsibilities and duties of the CHRO may evolve over time, the overall function of managing and supporting the workforce is unlikely to disappear. As organizations continue to face new challenges and changes in the business environment, the need for effective human resources management will remain. CHROs will continue to play a critical role in areas such as talent acquisition and development, employee engagement, and diversity and inclusion. Additionally, with the increasing use of technology and data analytics in human resources, the need for CHROs who are proficient in these areas will likely grow. CHROs will also have an important role in driving innovation and agility within the organization and ensuring that the company stays competitive. Moreover, with the growing importance of employee well-being and sustainability, CHROs will continue to play a critical role in creating a positive and sustainable culture for employees and the organization. In short, While the role of CHRO may change, the need for effective human resources management is likely to remain an important part of organizations. The CHRO will continue to be a crucial partner to the leadership team and will play a vital role in shaping the future of the organization.

ChatGPT

CHROs meeting the demands of their multifaceted roles

A SHRM 2022 survey of HR executives found the following rating of competencies for CHROs in 2022 and for 2027. The top three rated CHRO competencies remain strategic, ethical, and business acumen. The interesting shift is empathetic, coach, and advisor competencies lower. Visionary, innovative, and technology-minded competencies have shifted up on the 2027 list.



Source: SHRM (2022)¹⁶

However, the SHRM report notes the mixed messaging or contradiction in how the HR executives rated the future-proofing of their skills for the digital age, as noted in the image below on the left. This cautions us on drawing inferences from the surveys based on self-reporting or self-evaluation, and to be critical of surveys and other research findings as is typically required of us as HR practitioners. We need to be cognisant of the sample demographics and other characteristics as well. In the below case, however, we could also suggest that this reflects the multifaceted roles of CHROs, and we may need more robust survey methods and qualitative case studies to help unpack the complexities and realities of CHROs. This means we need a more nuanced approach to, and understanding of, CHROs and the capabilities they use and they may require to meet the different demands of them. In the below graph on the right, which reflects HR executives' ratings of where they feel they excel and where they want to improve, we can see some nuance coming through on their competencies.

16. <https://shrm.org/executive/resources/Documents/June%202022%20EN%20Insights%20Forum%20-%20The%20Evolving%20Role%20of%20the%20CHRO.pdf>



CHROs ARE ALSO SENDING MIXED MESSAGES ABOUT HOW FUTURE-PROOF THEIR OWN SKILLSETS ARE.



HR executives who say HR leaders do not currently have the skills needed to be successful in the digital age.

HR executives who say their current skill sets won't be outdated in three to five years.



Source: SHRM (2022)¹⁷

Where HR execs feel they excel:



Where HR execs want to improve:



Gartner (2022)¹⁸ crowdsourced with CHROs and CEOs the below illustrated model of a 'world class CHRO'. It is seen as "aspirational" and "applicable" across "industries, geographic regions and business cycles." This is congruent with the work done in the review of the HRM Standards, where there are robust discussions on the aspirational aspects of people practices along with the deliberation on the people management and people champion roles of HR practitioners. The engagement with CEOs in the Gartner research is a step towards, for example, the triangulation of data sources and a more robust methodology¹⁹. The Gartner report states that with this the "model escapes the "HR echo chamber" through its validation directly with CEOs" (p5).

The model's base is defined by the foundational requirements of the CHRO:

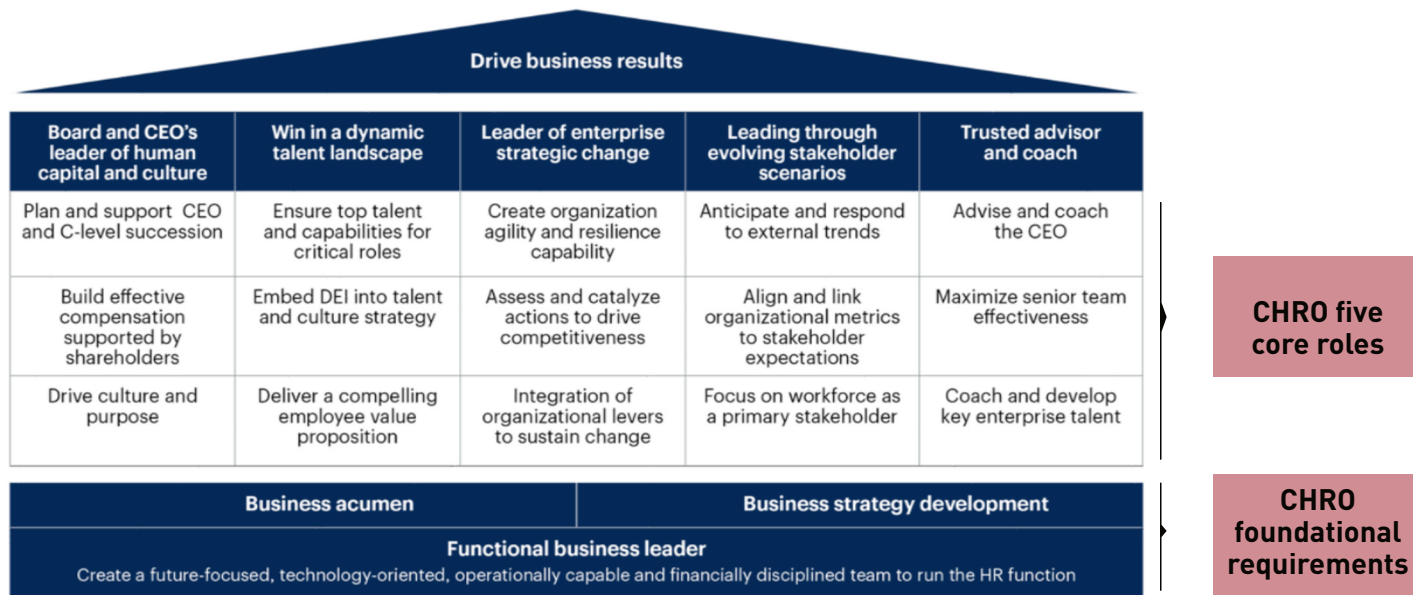
- being able to run a "credible, capable and fiscally responsible **HR function**" (bold added, p7)
- having sound **business acumen**
- developing and leading **business strategy**, moving beyond integrating business and HR strategies

17. <https://shrm.org/executive/resources/Documents/June%202022%20EN%20Insights%20Forum%20-%20The%20Evolving%20Role%20of%20the%20CHRO.pdf>

18. <https://www.gartner.com/en/human-resources/research/chro-global-leadership-board/becoming-a-world-class-chro>

19. Interesting to note here that the SABPP HR Audit methodology uses the triangulation of data sources in the HR audits of organisations.





Competencies for the five core roles				
<ul style="list-style-type: none"> Cultural visioning Process design 	<ul style="list-style-type: none"> Business decision making Evaluating key talent Talent management expertise 	<ul style="list-style-type: none"> Customer orientation Adaptive leadership Motivational leadership 	<ul style="list-style-type: none"> Judgement Proactivity and trendspotting 	<ul style="list-style-type: none"> Emotional intelligence Speak objectively Persuasion



Gartner provides a self-diagnostic tool for current and aspirant CHROs based on the above model at the following link: <https://www.gartner.com/en/human-resources/research/chro-global-leadership-board/becoming-a-world-class-chro>

The above SHRM list and Gartner model can be aligned to the SABPP Competency Framework comprising of the professional pillars and the core competencies and HR capabilities defined per level of work. The November 2022 Fact Sheet can help identify the future proofing of CHRO's HR skills. The Fact Sheet explores future HR skills aligned to the strategic people themes identified during the HR Standards review, and how these can be related to the SABPP Competency Framework. Drawing from the insights from the Competency Framework and the SHRM and Gartner reports, we can suggest that we need to think about the CHRO competencies within the organisation in terms of the:

- board
- top management team or EXCO
- HR function



CHRO at The Board and EXCO

“

“The CHRO is also becoming a more critical advisor to the board. So it used to be that when you were advising on compensation, you’d meet with the compensation committee and talk about what that needs to look like. Now the board wants to talk about all aspects of talent, not even just executive talent. They want to discuss your culture and what that’s about. They want to see the data behind what you’re doing. Diversity and inclusion is on the agenda at most board conversations now and how you’re supporting that. And then succession, but succession is not just the top of the house now; it’s about what your talent pools look like for the future and how you are going to enable growth globally.”

(H Kortright, Senior Vice President of People at Ellucian)²⁰

CHRO as a member of EXCO, provider of Board reports, and as non-executive director By Ronelle Kleyn, CEO, FluidRock Governance Group

There are several areas of growth and opportunity for the CHRO and below we specifically highlight three opportunities for CHROs beyond HR.

The CHRO as a member of Exco

The first is at the Executive Committee (“Exco”). In many cases the CHRO is a member of Exco in their capacity as the executive champion for the HR function. However, the role at Exco for each individual member is oftentimes not fully understood. Even though each member of Exco represents their functional area, they are also included as part of a team charged with overseeing the business as a whole. Therefore, the CHRO should add value through the lens as an HR expert and develop the competencies and skills required to be able to be proficient to oversee the business in its entirety - a true generalist with a foundation firmly set in HR.

The required competencies would build and expand on those contained in the South African HR Competency Model with a deeper focus and development of the “Business Knowledge” Pillar: <https://www.sabpp.co.za/product-solutions/hr-competency-model>.

Unlike the Board, Exco is a neglected forum of study and inclusion in business studies. Hence, in general Exco members, including CHROs, struggle with elevating above the operational quagmire of the day-to-day. Many CEOs are frustrated that they are the ones asking the questions in the Exco meetings with limited interaction and deep questions across Exco members.

The key competencies that the CHRO should develop for themselves and their fellow Exco members include:

- General and industry specific business knowledge that is cross-functional with a focus on understanding the financial and non-financial business drivers in the business.
- Practical application of business knowledge.
- Beyond the theory, application of strategy implementation and monitoring throughout the business from the operational perspective to the Board perspective.
- The CHRO would be tasked with delivering a competitive advantage to the business through its people strategy and the value add at Exco from a CHRO perspective.
- The ability to assist in the creation of a safe space and open communication culture where Exco members feel they have the agency to interact and question.
- The emotional maturity to accept honest interrogation of the HR function as healthy and productive.
- To manage upwards to the CEO to ensure the Exco meetings are productive and to remain strategic and tactical.

20. https://www.heidrick.com/en/insights/podcasts/episode_38_the_chros_evolution_role_in_the_digital_age





The CHRO as a provider of reports to Boards

The second area for development for CHROs is as providers of reports to Boards. The primary governance roles and responsibilities as per the King IV Report on Corporate Governance™ ("King IV") include:

- Set and steer strategic direction
- Approve policy and planning
- Ensure accountability
- Oversee and monitor

One of the reasons for providing reports is to enable the Board to monitor the implementation of the strategy. From a CHRO perspective, it will be critical to provide reports to the Board to enable the monitoring of the implementation of the people strategy that supports the achievement of the overall strategy. The drafting of Board reports is actually not a taught skill, and many executives need more clarity on exactly what is required and how to best present these reports. It is critical for a CHRO to have the competencies required to:

- Establish materiality for each module of the strategy.
- Be able to succinctly compile dashboards linked to the strategy for reporting.
- Be able to communicate in ways that speak to individual directors' methods of learning including in writing, verbally, socially, solitary, etc.
- Understand the levels of information and what should be provided depending on the material nature of the information.
- The ability to present information at a Board meeting succinctly and charismatically.
- Not provide data or information but elevate the reports to knowledge and insight that will enable the Board to get to "wisdom".

In addition to having the ability to report to Boards, CHRO should establish the competencies for their fellow executives as well.

CHRO as a Non-Executive Director

The third and biggest opportunity for growth for CHROs is to serve on Boards as Non-Executive Directors.

In general, there are three categories of directors on a Board being an independent non-executive director, non-executive director, and an executive director. The main differentiator is how "independent" a director is and where the person has other interests or relations with the business such as shareholding, a previous auditor or executive within the past three years or whether the person is related to a person in the business. Independence can be seen as a continuum with the person moving more or further away from the business as depicted in the diagram below:





South Africa needs ethical and effective Non-Executive Directors on Boards. CHROs can serve as Non-Executive Directors on Boards especially if they have mastered being a business generalist as discussed above in addition to being a technical HR expert. There are several recognised competency frameworks for boards such as the one developed by the Institute of Directors of the UK, that should be compared in detail to the South African HR Competency Model for areas of development in the CHRO on the Board context.



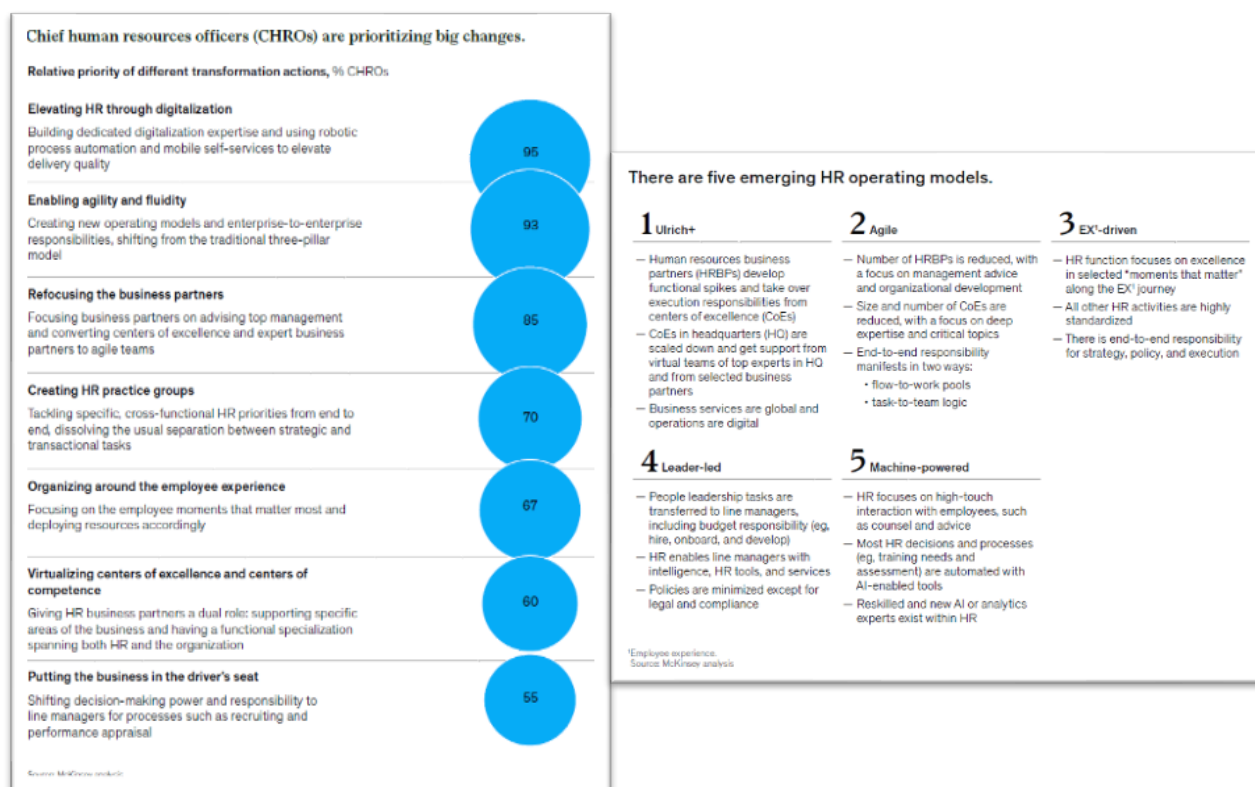
Source: Institute of Directors of the UK²¹

21. <https://www.iod.com/professional-development/director-competency-framework/#:~:text=The%20Director%20Competency%20Framework%20is,to%20become%20a%20better%20director>



CHROs at the HR function level

In alignment with their fast-evolving contexts, organisations, and stakeholder demands, CHROs are changing their HR operating model and the human, machine/AI, analytics, and agile solutioning and required service delivery capabilities therein. This includes adapting or transforming the infamous three-pillar model that evolved from David Ulrich's work comprising of centres of expertise or excellence, business partners, and shared services. The below left graphic is an illustration from the McKinsey report of the themes from their interviews with eighty CHROs, from a sample of organisations in US and Europe. It suggests the changes required in the HR operating model and the percentage of CHROs that endorsed it. For example, shifting from the three-pillar model to develop a "pool of professionals who can be quickly deployed to deal with critical issues and priorities, or introducing agile tribe and squad models such as those used within digital companies": "We need to break up the silos and the Ulrich-style separations in our own organization to be much more flexible and faster." The table below right from the report showcases the five emerging operating models they have identified. The report suggests that the CHROs and the top management teams identify the appropriate operating model that fits or is aligned to their strategy, their present and desired organisation, and their context. The report notes that CHROs can adopt a combination of these five operating models. Again, this is led by considerations on their strategy, present and desired organisation, and context.



Source: McKinsey (2022)²²

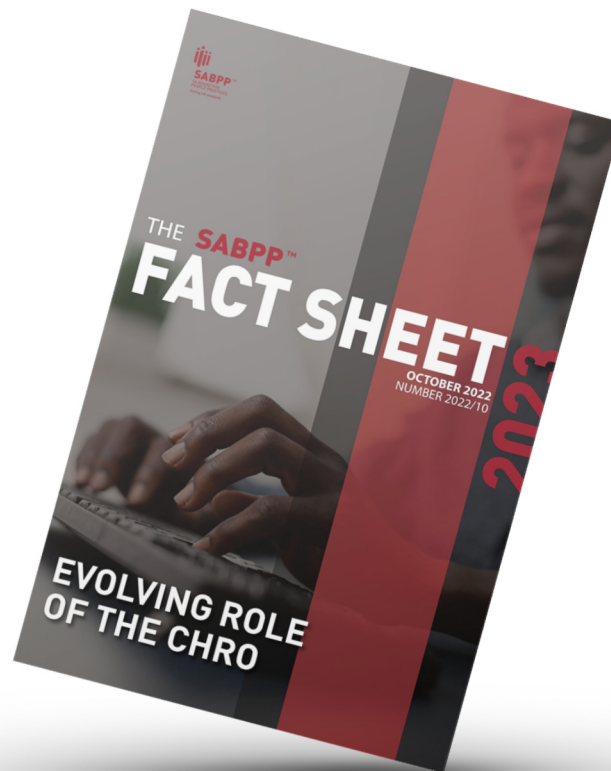
The key question we need to consider is what capabilities do CHROs require to lead the change in the HR function as well as lead the change and meet the many demands within the top management team, Board, and other stakeholders. Models such as the previously cited Gartner model and McKinsey report can assist and provide a guide and structure for CHROs to follow. Utilising the HR System Standards Model and aligned SABPP Competency Framework, the CHRO can also systematically identify the capabilities that speaks to the specific strategy and context of the organisation.

22. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/reimagining-hr-insights-from-people-leaders>

Conclusion

The role of the CHRO is continually evolving in line with changes in their organisation, its context and aligned strategy. This means the HR function, HR operating model, and the capabilities of the HR teams need to continually evolve as well. To tease out these realities and their complexities we need to critically evaluate how we frame the evolving CHRO role and the categories we use to define, measure, and make prescriptions of the CHRO role. We need to examine how we frame the CHRO role at the Board, EXCO, and HR function levels as well as how we frame the CHRO as a professional and custodian of ethics and good governance.

We need to also acknowledge that there are competing demands on the CHRO from these different levels and roles on a day-to-day basis. We need to equip CHROs to navigate and negotiate these and lead their HR teams in the evolving competitive, stakeholder, and organisational spaces. They need the developmental resources and support to lead their teams to meet the fast-changing strategies of the organisation and future world of work. HR practitioners in the CHRO role, or aspiring to it, must be self-critical and identify their developmental needs realistically and honestly in order to fulfil this demanding role well.



This fact sheet was written by:

Dr Ajay Jivan: SABPP Head of Research and Assurance; Director at Vantage Lab; and registered Psychologist.

With contributions by:

Prof Francois Sieberhagen: Executive Head Human Resources, VKB Group; SABPP Board member; Adjunct Associate Professor at the University of Free State.

Brigitte Da Gama: HR Executive, Deigobert Consulting.

Steven Teasdale: Chief People Experience Officer, Discovery.

Ronelle Kleyn: CEO, FluidRock Governance Group.

Prof. Dr. Ambassador Tal Edgars: Group Executive Chairman, GBSH Consult Group Worldwide

ChatGPT

References

Abt, M., & Knyphausen-Aufseß, D. Z. (2017). Chief human resources officers on top management teams: an empirical analysis of contingency, institutional, and homophily antecedents. *Business Research*, 10 (1), 49–77.

Belsito, C. A., Reutzel, C. R., & Collins, J. D. (2018). Human resource executives and post-IPO firm growth. *Journal of Organizational Change Management*, 31(7), 1401-1418.

Gomez, C., & Sanchez, J. I. (2005). HR's strategic role within MNCs: helping build social capital in Latin America. *The International Journal of Human Resource Management*, 16(12), 2189-2200.

Reutzel, C. R., Belsito, C. A., & Collins, J. D. (2016). Human resource management executive presence in top management. *International Journal of Organizational Analysis*, 24(5), 985-1001.

Wright, P. M., & Steinbach, A. L. (2022). Pivoting after almost 50 years of SHRM research: toward a stakeholder view. *Asia Pacific Journal of Human Resources*, 60(1), 22-40.



Previous Editions of The Fact Sheet



2022

2023

