

### The human touch

Now more than ever, Chief Human Resources Officers need to see themselves as HR strategists



**THOMAS HAMMER**

Egon Zehnder International, Zurich  
thomas.hammer@ezi.net

**ISABELLE LANGLOIS-LORIS**

Egon Zehnder International, Brussels  
isabelle.langlois-loris@ezi.net

**As the lead strategist for human resources management, the Chief Human Resources Officer has a major part to play in ensuring the company's long-term success – a success that must be founded on highly effective people development strategies, encompassing far more than just a competitive pay scale. The human resources function must finally move beyond defining HR processes to embrace strategic elements as well. Only then will HR be able to make a genuine contribution to the organization's capabilities.**

RECENT ECONOMIC DEVELOPMENTS have made it dramatically clear that it is not the invisible hand of the market that determines the success or failure of an enterprise, but the people who work there. It was the poor decisions made by many individuals and the criminal behavior of a few that touched off the downward spiral of the current crisis – providing the ultimate proof that human resources are a decisive factor in the fate of the economy. Given this background, it seems remarkable that the public debate and commentary on the situation ignores, or at best only touches on, any connection to fundamental flaws in corporate human resources (HR) policies, or – as is most likely – in their execution.

Why this blind spot? The answer lies in the way human resources management is perceived as a discipline. HR is still widely seen as an administrative function and, in many cases, has not yet been invited to bring its capabilities to the “strategic table.” Furthermore, it remains the case that in many organizations the head of HR does not sit on the board of management, but reports to it.

#### HR management as a strategic discipline

HR executives and their departments are themselves at least partly to blame for this state of affairs. They are – despite years of statements to the contrary – often still primarily occupied with administrative matters like payroll structures. But while effective HR administration is essential to the smooth running of the company, the true

contribution of human resources management only becomes apparent when HR is empowered to exert a concrete influence on the organization's capabilities.

Many employees and even executives still think that the primary duty of the personnel department is to look after their individual interests – but this is not the case. True, one element of human resources management is keeping an eye on the needs of each employee. But this can only occur as part of a larger effort to facilitate and enhance the success of the company as a whole through an optimal personnel strategy. This is the ultimate goal; all others are secondary. When it shifts its focus to strategic matters, HR can contribute to the success of the company in myriad ways, as illustrated below.

### **Managing costs, values, and talent**

Unnecessary failures and high costs can be headed off by bringing human resources management to the corporate strategy development table early on. For example, when a new market is targeted as part of a growth strategy, but qualified employees are not available on the ground in sufficient numbers, the head of HR can call attention to this in good time and/or initiate the necessary recruitment and training measures to bridge the looming personnel gap.

Second, HR management can frequently act as an important catalyst in areas such as change management and the way in which the values and culture of the company find active expression – a critical function, as recent events have shown. A corporate culture in which values are declared in the mission statement but never put into practice can, as we have seen, have fatal consequences. Needless to say, the CEO has the primary responsibility and accountability for a credible and sustainable leadership culture. But human resources management also has a unique governance function that goes far beyond drafting and submitting HR policies to address the matter. Its task is to ensure that, within the framework of performance management, individual contributions to the company's success are only rewarded when the behavior of the employee in question is in keeping with the core values of the company – and of society.

Recruitment and talent management are other HR functions that go far beyond the purely process-based definition. Strategic talent management makes it possible to attract and develop the right employees to promote the company's long-term objectives. For example, HR can take an active role in making diversity a genuine

competitive advantage for the company – an extremely important contribution, since globalization has not just made markets and customers more international and diverse, but employees and management teams as well. By definition, the inclusion of diverse talent also gives access to additional highly qualified human resources in all labor markets. Finally, HR is in a position to identify critical changes which are likely to happen in the active population and to trigger the adaptations the company needs to make in order to face future labor shortages effectively.

### **The new Me Generation**

It is also important to bear in mind the expectations of the rising generations who represent the workforce of the future. This is especially the case with those born after 1980, the men and women of Generation Y. The people of this generation don't live to work; they work to live. Interested in more than just earning money, they place at least as much value on opportunities for personal and professional development. They are on the lookout for career opportunities that will grant them responsibility, reward good performance, and give them the chance to fulfill their personal career goals. In addition, they expect to have enough time for leisure activities and raising a family. Now more than ever, young people are paying attention to what a company stands for. In the years to come, companies will have to adapt their personnel policies to reflect this shift in focus.

These policies will have to become far more elaborate and sophisticated, especially in terms of flexibility – not only in working hours and locations, but also in the professional and personal development of up-and-coming talent. If they are going to offer the desired level of flexibility, HR managers will have to take into account more than just employee needs and future business challenges. They will also need a clear understanding of the different groups on the payroll and the ways in which their goals diverge.

HR managers must therefore fulfill numerous and disparate requirements if – within the context of the corporate strategy – they are going to attract and motivate the talent the company needs. Benchmarked compensation packages and performance-based incentives may be important, but they will not do the job on their own. The experience of recent years has repeatedly shown that companies that pay top salaries still lose top people when the leadership and value culture are found wanting – and that

the wrong people end up staying, with disastrous consequences for the company's future. Also, more care and energy will doubtless have to be devoted to employer branding; to cater to the varied needs of different target groups, the approach will have to be multifaceted and the delivery more flexible.

These examples provide some impression of the complexity and scope of the challenges that must be mastered in order to offer qualified employees and executives an attractive working environment and interesting career opportunities. In addition, the situation demands that a multitude of paths and measures be explored, with the ultimate purpose of defining a reward culture in which talented personnel are recognized for their achievements, valued for their hard work, and supported in developing their potential – and which honors behavior that conforms to the organization's values.

### **The CHRO – from administrator to strategic leader**

The top position in this HR organization must be occupied by a strong, independent personality – the Chief Human Resources Officer, or CHRO. These leaders face highly complex responsibilities and can only be truly successful with the support of CEOs who recognize the importance of the strategic aspects of an effective personnel policy and harness them.

Of course the successful CHRO needs a solid HR skill set that ranges from classic human resources administration and today's often complex compensation models to strategic talent management. Also necessary, however, and at least as important, is a deep-rooted understanding of the company's business. Otherwise the head of HR's input to strategic matters will not be taken seriously.

However, it is not sufficient to merely understand the business strategy and translate it into the best possible HR policy. If the human resources function is to be involved in the development of a strategy from its inception, the Chief Human Resources Officer must be able to work with the other members of the executive board to evaluate trends and anticipate market developments. CHROs must be capable of asking the truly pertinent questions, as this is the only way to influence corporate strategy from the human resources angle.

It is not just professional competence that makes a good Chief Human Resources Officer, but a strong personality as well. While on the one hand CHROs must

guard their independence and not become embroiled in corporate politics, on the other they need strong powers of persuasion and the ability to influence people. People expect them to be open, accessible, and extremely trustworthy, and at the same time impartial and objective. A CHRO who enters into political alliances or hides in the CEO's shadow will quickly lose credibility. CHROs do need the support of the chief executive, however, because they often have to assert their authority without the benefit of institutionalized empowerment – for example when central HR policies have to be implemented at largely autonomous business units.

In addition to seeking out and maintaining contact to talented employees, successful Chief Human Resources Officers establish a personal presence and remain approachable. They also understand what is happening inside competitor companies and know how to ensure that their organizations remain attractive in the market for new talent.

In sum, effective Chief Human Resources Officers command knowledge and skills that go well beyond the limits of classic personnel responsibilities. They are far-sighted strategists with a nose for business and a passion for working with people. As such, CHROs are able to shape HR management into an important guarantor of the company's long-term success.

### **THE AUTHORS**

**THOMAS HAMMMER** has been a consultant with Egon Zehnder International's Zurich Office since 1991. From 2002 to 2007 he was Group Head of Human Resources and on the Group Managing Board of a major Swiss bank, before returning to Egon Zehnder International. A member of the Financial Services and Board Consulting Practices, he advises financial and media companies and public institutions.

**ISABELLE LANGLOIS-LORIS** is a Partner in the Brussels office of Egon Zehnder International. She joined the firm in 1999. She leads the worldwide Human Resources Practice of Egon Zehnder International. She is also a core member of the Financial Services and Consumer Practices.