



## The growth imperative: Role of the CHRO

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The world is quickly changing, but a number of forces – the evolving nature of work, the threat of disruptive innovation from competitors that don't exist yet, and the need to fundamentally rethink the structure and make-up of organisations – are putting the CHRO in a unique position to support the CEO growth objective. We've thoroughly reviewed the available research, and have picked out the findings that best answer these pressing questions for CHROs:

- How can you support your company's growth initiatives and develop an agile talent strategy that ensures you have the right people in place at the right time?
- How do you develop a culture that attracts, engages, and retains the best workforce?
- How can you tackle sticky issues like diversity and get your CEO and board "on board"?

Although growth is always a business issue, right now it is *the* business issue. [According to the KPMG Global CEO Outlook survey](#) of 1,200 business leaders, growth is their top priority. To support this growth, the CHRO and other HR leaders have the opportunity to put what they do front and centre – almost 80 per cent of the CEOs surveyed expect to increase hiring, and they acknowledge that managing talent will be especially key in the midst of technological investment and change.

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Part of what's driving the growth agenda is that CEOs are realising that they need to start thinking bigger if they want their companies to thrive. Call it the "Uber effect" – smart CEOs realise that their most formidable competitor in two years' time might not exist yet. Some CHROs are wise to this fact as well: In the [IBM Global C-suite Study, "Redefining Talent: The CHRO Point of View,"](#) researchers found that 51 per cent of the 601 CHROs surveyed said that they expect more competition from new rivals in contiguous industries over the next three to five years.

And, in another ramification of an increasingly digital world, every business today is acting with a degree of transparency that the world of commerce has never seen. This transparency – think everything from Glassdoor to unintentional leaks – means that CEOs suddenly answer to more stakeholders than ever before. This is driving CEOs to spend more time thinking like stewards of a greater good than captains of industry, which means that the way every employee conducts themselves matters more than ever. Culture has moved from a feel-good manifesto to a blueprint on how to treat customers, competitors, and co-workers.

### [Deloitte's "Global Human Capital Trends 2016" report](#)

suggests that companies seeking to grow should embrace design thinking – the framework of ideas that help shape how the HR organisation, systems, and processes can respond quickly to business needs.

Deloitte researchers found that companies growing by 10 per cent or greater per year are more than twice as likely to be ready to incorporate design thinking, compared to their counterparts that are experiencing stagnant growth. In addition, design thinking will help CHROs tackle global compliance and expanding efforts to comply with new US regulations such as the Affordable Care Act.

### **The rising value of human capital**

Regardless of the industry segment, a company is only as good as its top people. So finding, keeping, and inspiring the sharpest minds and hardest workers is vital to success.

**Talent** is critical to businesses of all kinds, not just companies that are in the service sector or seen as traditionally people-centric. The right talent allows companies to pursue new business models, sometimes spanning geographies or working in a more decentralised way that requires the type of worker a company hasn't traditionally employed. With CEOs in the KPMG survey reporting the need for continuous, disruptive innovation, having people who embrace [change](#) is no longer enough: CEOs need people who cause it.

**Culture as a competitive differentiator and business tool is also driving a new approach to talent management.**

**Diversity** is one of the new frontiers when it comes to rethinking talent. Numerous [studies](#) have shown that diversity is good for individuals *and* for companies. Although it makes sense that people from different backgrounds will have different viewpoints – and therefore help a team or division avoid “groupthink” – there also seems to be a correlation between diversity and the bottom line.

In McKinsey & Company's "[Why Diversity Matters](#)" study, a strong correlation was found between a company's diversity and its financial performance. The study found that “companies in the top quartile for gender diversity were 15 per cent more likely to have financial returns that were above their national industry median, and the companies in the top quartile for racial/ethnic diversity were 35 per cent more likely to have financial returns above their national industry median.” The report's authors note that correlation does not mean causation, but as a two-year research study from Bersin by Deloitte [found](#), a diverse workforce is a good indicator of a company's maturity when it comes to talent management.

### **Culture club**

On the one hand, CEOs face greater expectations; at the same time, with many websites and even applications dedicated to airing corporate dirty laundry, CEOs are losing control over what becomes public. This means that in many ways, employees aren't just your human resource – they're vitally important brand ambassadors. This is why it's important to build a company culture that inspires employees to *want* to say good things to the outside world.

Culture as a competitive differentiator and business tool is also driving a new approach to talent management.

Having a purpose that employees can align to, providing the skills and opportunities to learn and grow, and building an inclusive culture are all critical to attracting and retaining the best talent, which in turn helps drive innovation initiatives that drive the business forward.

But, when it comes to culture, there's currently more aspiration than execution. Consider that Deloitte's "Global Human Capital Trends 2016" study discovered that 82 per cent of respondents believe that culture is a potential competitive advantage, but only 28 per cent of them say they understand their culture well. And, a paltry 19 per cent believe they have the "right culture".

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So, it makes sense that a full 50 per cent of those surveyed for Deloitte's study say that they are attempting to change their culture. This is where HR leaders can make a huge and lasting impact on the future of their companies.

In a *Harvard Business Review* [article](#), Chief People Officer Ashley Goldsmith and Senior Vice President of Products Leighanne Levensaler of Workday write that to build and maintain great culture, HR should:

- Democratise information so that everyone at all levels of the organisation understands where the company needs to go and how to get there.

- Create a culture of opportunity that encourages internal mobility and empowerment.
- Enact performance enablement policies that encourage frequent mapping of how individual efforts are contributing to the greater good.

## Reimagining the talent pipeline

According to the IBM Global C-suite Study, "Redefining Talent: The CHRO Point of View", CHROs need to rethink how they market to attract talent. The authors suggest the use of analytical tools to find the best candidates with specialised or hard-to-find skills; they also suggest rethinking the talent pipeline – such as using partnerships and third-party providers for talent.

**Workplace learning** can play a huge role in keeping the talent pipeline healthy, especially in relation to internal mobility. Whereas workplace learning was once seen mainly through the lens of compliance or testing, it is increasingly being used to drive employee engagement and reinforce workplace culture. "They [learning opportunities] are part of the entire employee value proposition, not merely a way to build skills," write the authors of the Deloitte study.

**Talent sustainability** is the idea that a company's impact on people's work lives is as important and deserves the same attention as a company's impact on the environment. We think that talent sustainability will be an increasingly talked-about topic in the coming years, partly because it looks at attracting, keeping, and developing people in a more holistic and meaningful way.

**Leadership development** is another key feature of the talent pipeline. According to the Deloitte authors, "The leadership challenge is urgent and growing in importance. In 2016, 89 per cent of companies see leadership as an important or very important issue (up from 87 per cent in 2015), and 57 per cent cite leadership as very important (up from 50 per cent)."

This is against the backdrop of 28 per cent of those surveyed reporting that their own companies have weak or very weak leadership pipelines. When you add to this the idea that leadership bandwidth is a precious resource at any company, and that there's a significant generational shift occurring with 10,000 baby boomers retiring every day (yes, it's [true](#)), it's a safe bet that many companies are on the verge of a leadership crisis.

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To better develop the people who are sure to be key players in the CEO's growth agenda, the Deloitte authors recommend developing a culture of leadership where mentoring is the norm and seasoned workers are expected to nurture the next generation of managers and directors, building succession planning into nearly every leadership role and making collaboration a required trait. With flatter organisational structures, there needs to be an emphasis on building an expanding circle of cohorts – a markedly different approach from measuring influence by the number of direct reports.

There's also the global perspective on leadership development: Collaboration tends to work better than command and control across time zones and cultures. Authors of the KPMG Global CEO Outlook survey found that CEOs – especially those across Asia Pacific – are very focused on talent. “They are driving their executive teams to work together to identify critical roles and

understand the capabilities needed to succeed so they can strategically place their people,” says Margaret Cowle, KPMG's head of Management Consulting, Asia Pacific. “This is creating a cultural shift in support of greater collaboration and innovation both across teams and countries. It also requires leaders to take a holistic look at their talent pool and develop robust programs that will grow their talent to meet their future needs.”

And, with 75 per cent of CEOs in the KPMG study saying that a skilled, educated, and adaptable workforce should be a priority for business in the country where they're based, there's a social good that comes from developing talent.

### **Digitising HR**

Given the pervasiveness of technology, it's no surprise that HR at many organisations is becoming increasingly digitised and automated. According to the Deloitte authors, “The era of true digital disruption has finally hit HR.” But they find that despite some shining examples of efficiency and insight powered by design thinking and the right technology, many HR departments have yet to embrace digital transformation.

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In a world where people are increasingly expecting anytime, anywhere connectivity for both work and play, we see mobile as a good indicator of the digital maturity of an HR organisation. Deloitte research found that when it comes to mobile:

- Only 7 per cent of companies use it for coaching.
- 10 per cent of companies use it for performance management.
- 8 per cent of companies use it for time scheduling.
- 13 per cent use it for recruiting and candidate management.
- 21 per cent use it for leave requests.

Obviously, there's room for improvement in many organisations, and design thinking applied to the very structure of a company – regardless of the company's current technological infrastructure – provides a framework to build a more effective HR organisation.

### Designing a new organisation: Action items

Transparency, diversity, culture, and a completely new approach to talent – these are big initiatives that help companies stay ahead of disruption and grow closer to customers in an increasingly globalised world.

To stay innovative and nimble, many executives are realising they need to redesign their organisations.

In Deloitte's "Global Human Capital Trends 2016" study, 92 per cent of respondents say that organisational redesign is "critical", and more than 80 per cent are either currently restructuring their organisation or have recently completed the process. The Deloitte authors say that what they call the "new organisation" consists of empowered teams led by a new generation of globally diverse managers.

Applying design thinking to the organisation is vital to talent strategy because only by becoming agile can the HR organisation stay ahead of impending hiring needs. Although in the past requisition-to-hire time was the main metric of the hiring pipeline, we'd argue that if HR only becomes aware of staffing needs when a requisition happens, they'll always be playing catch-up. And, with a new approach to talent, things like employee sentiment and internal mobility numbers become increasingly important data points.

When it comes to organisational design, the Deloitte authors note that networks of highly empowered teams have shown impressive results in what were previously slow-moving, even quagmired, organisations. They note that networks of teams are created on a few basic principles:

- Create teams with a specific focus (product, customer, and so on) that are headed by people who are domain experts but not necessarily managers.
- Let teams set their own goals within the overall business strategy.
- Replace silos with operations centres or liaisons in charge of communicating with other teams.
- Embrace the model Hollywood uses to make films – people can move between teams as projects and company goals change.
- Encourage senior leadership to focus on the bigger picture – communicating across the organisation or helping to build a more dynamic company culture.

Whereas the HR organisation was once seen as mostly a back-office function, progressive CHROs now see themselves as the "lead experience architect" and are starting to help their peers understand why the employee experience is important to a company's long-term financial health. These experience architects are well-suited to support the CEO growth imperative – through talent sustainability, culture as a competitive differentiator, and the formation of nimble teams that embody disruptive change.



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