

Center for
**Executive
Succession**

The Changing Chief Human Resources Officer Role

Results of the 2016 **HR@Moore** Survey
of Chief HR Officers

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Overview of CEO Succession Research

CEO succession has increasingly gained board attention over the past 10 years. While always a responsibility, the intersection of a number of companies facing CEO succession crises and the increased scrutiny placed on the board due to regulations such as Sarbanes-Oxley have moved CEO succession to the forefront of the board's agenda. In addition, research by PwC reveals that global CEO turnover was 19% last year and recent research shows that up to 35% of CEO departures are forced. Given these developments, not surprisingly recent **HR@Moore** surveys reveal that succession planning has emerged as one of the CEO's top priorities for the CHRO.

In spite of these developments, little rigorous and objective research exists regarding current practices in CEO succession. The Center for Executive Succession was created to be just such a rigorous and objective source of knowledge about the issues, challenges, and best practices with regard to CEO and other C-suite succession decisions.

The **HR@Moore** Survey of Chief HR Officers (formerly Cornell/CAHRS Survey of Chief HR Officers) is now in its 8th year. As part of its association with the newly created Center for Executive Succession in the Darla Moore School of Business at the University of South Carolina, this year we highlight CEO and other C-suite succession practices, issues, and challenges while still examining the changing role of the CHRO.

For information on becoming a CES partner company, please contact **CES@moore.sc.edu**.

Thanks to the Center for Executive Succession partner CHROs for their input on the survey:

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Executive Summary

The 2016 HR@Moore Survey of Chief HR Officers continued the tradition of exploring different aspects of the CHRO role to identify trends while also delving deeper into some new and less explored issues.

This year's results finds little change regarding how CHROs allocate their time to various roles. They continue to spend the most time as the Leader of the HR Function, followed by Talent Architect and Strategic Advisor, and Counselor/Confidant/Coach. Delving into the question of what they counsel their CEOs about, we found that the most popular topics concern executive team talent and its effectiveness, followed by business issues, and finally board relations. We found that 94% of CHROs responding report directly to the CEO and that talent issues continue to dominate the CEO's agenda for the CHRO and the HR function.

CHROs continue to spend the most time with the board of directors around executive compensation, but this has decreased and CHROs are increasingly included in discussions around CEO and other executive succession.

Our results show 62% of CHROs have additional departments other than HR reporting to them, with Communications being the most common. We also found that 60% of CHROs have experience outside of HR, with the most frequent being operations/manufacturing.

Finally, the trend toward directly hiring CHROs from outside the organization (61%) continues unabated. This tendency continues to run in sharp contrast to how CEOs (22%), and CFOs (35%) advance into their roles.

Finally, while only 24% of CHROs serve on public company boards of directors, 76% serve on non-profit, professional society, or university boards.

*This research was supported by the **Center for Executive Succession** in the Darla Moore School of Business at the University of South Carolina.*

Any conclusions or errors are the responsibility of the authors.



Since 2009 we have explored the changing role of the Chief Human Resource Officer (CHRO) through an annual administration of the HR@Moore Survey of CHROs. This survey invited 606 CHROs to share their insights and expertise regarding their role and a number of issues and responsibilities inherent in it. We received 148 completed surveys for an approximate response rate of 24%. The 2016 survey explored three main issues: CEO succession, internal C-suite dynamics, and the CHRO role. This report focuses on the CHRO role.

ROLES OF THE CHRO

Previous research revealed 7 generic roles that comprise the overall CHRO job. These are Talent Architect, Strategic Advisor, Counselor/Confidante/Coach, Leader of the HR Function, Liaison to the Board, Workforce Sensor, and Representative of the Firm. These roles are defined in Table 1.

CHROs were asked to indicate how much time they spent in each of these roles over the past year. The results of this question are compared to the previous 5 years in Figure 1.

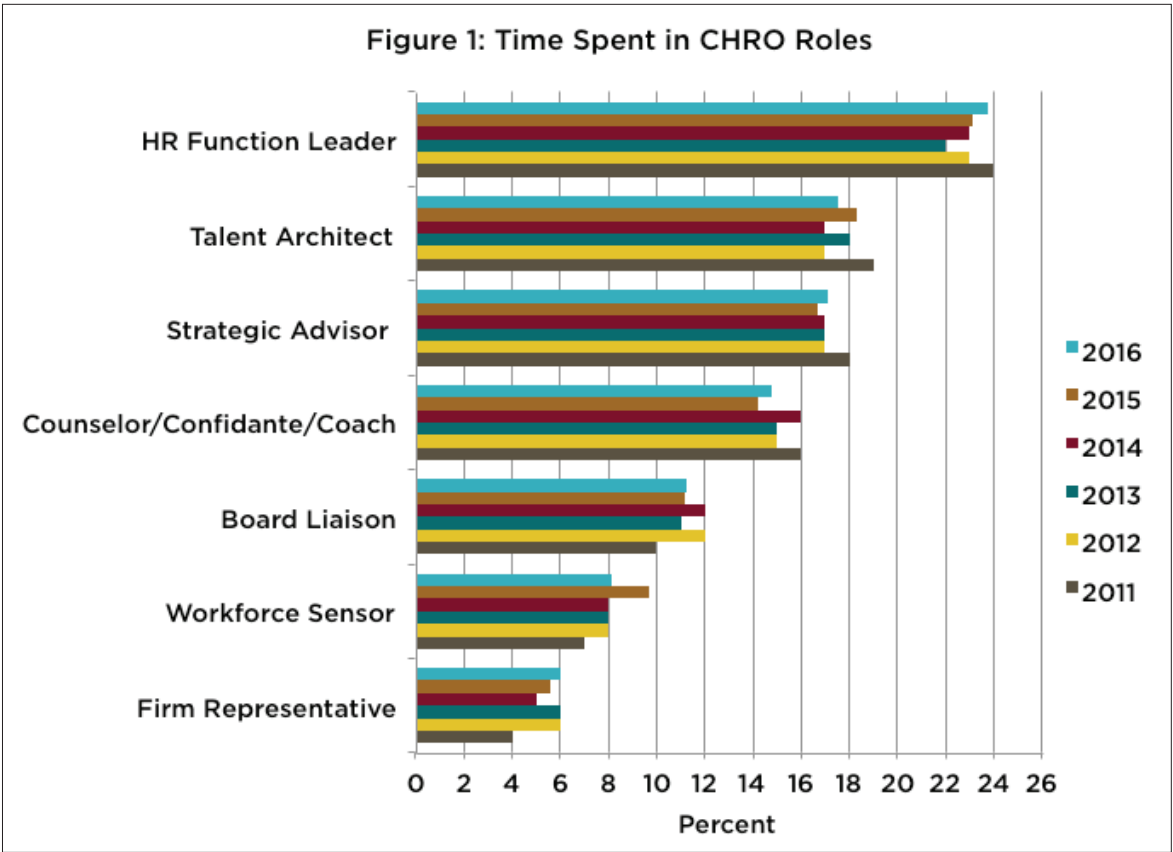
Similar to past years, CHROs reported spending the most time (24%) as Leader of the HR Function, followed by Talent Strategist (18%), Strategic Advisor (17%), and Counselor/Confidante/Coach (15%). Interestingly, since 2011, CHROs report spending significant amounts of time as Liaison to the Board (11%) which fits with anecdotal reports of CHROs. Many CHROs say that as executive compensation and CEO succession become more important foci of boards of directors, they are increasingly drawn into board discussions around these topics. We discuss later how CHROs spend their time with the board.

This year we delved deeper into the relationship between the CHRO and CEO. Given that the roles of Strategic Advisor, Talent Architect, and

TABLE 1: CHRO Job Roles

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.

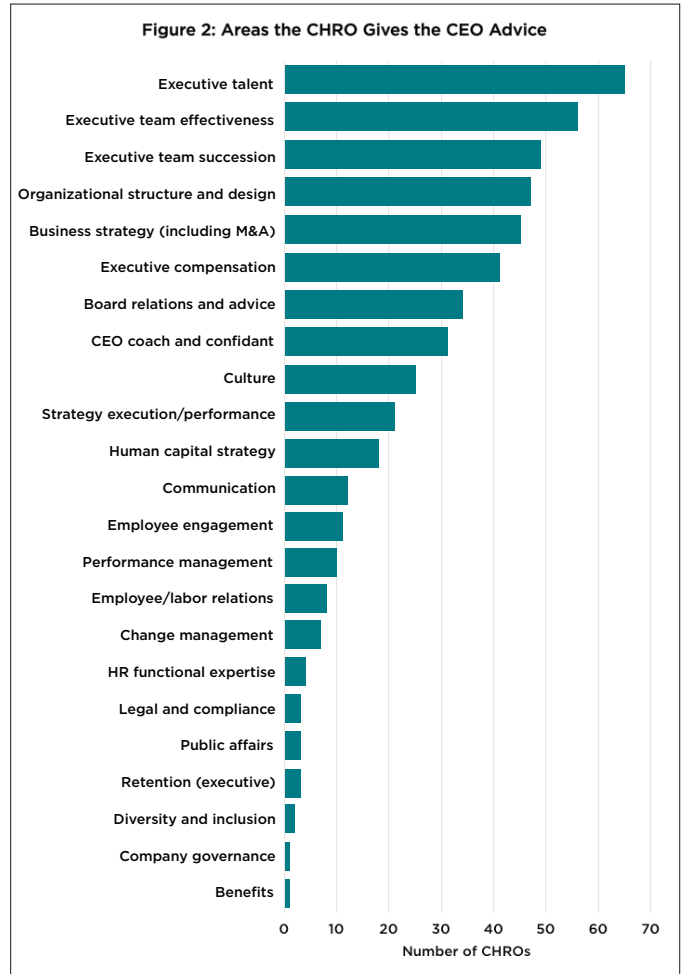
Figure 1: Time Spent in CHRO Roles



Counselor/Confidante/Coach often entail relatively private discussions with the CEO, we asked CHROs about the topics on which they counsel the CEO. As Figure 2 shows, CHROs spend the most time counseling CEOs around the executive team. The top categories of topics were “Executive Talent,” “Executive Team Effectiveness,” and “Executive Team Succession.” The topics then turn to the business with “Organization Structure and Design” and “Business Strategy (including M&A)” as the fourth and fifth most discussed topics. The third category deals with the board of directors, with “Executive Compensation” and “Board Relations and Advice” as the sixth and seventh most popular topics.

Turning to the board of directors, we asked about the amount of time spent with the board focused on a variety of topics. In recent years, a number of new issues have appeared on CHROs’ radar regarding board involvement such as

Figure 2: Areas the CHRO Gives the CEO Advice

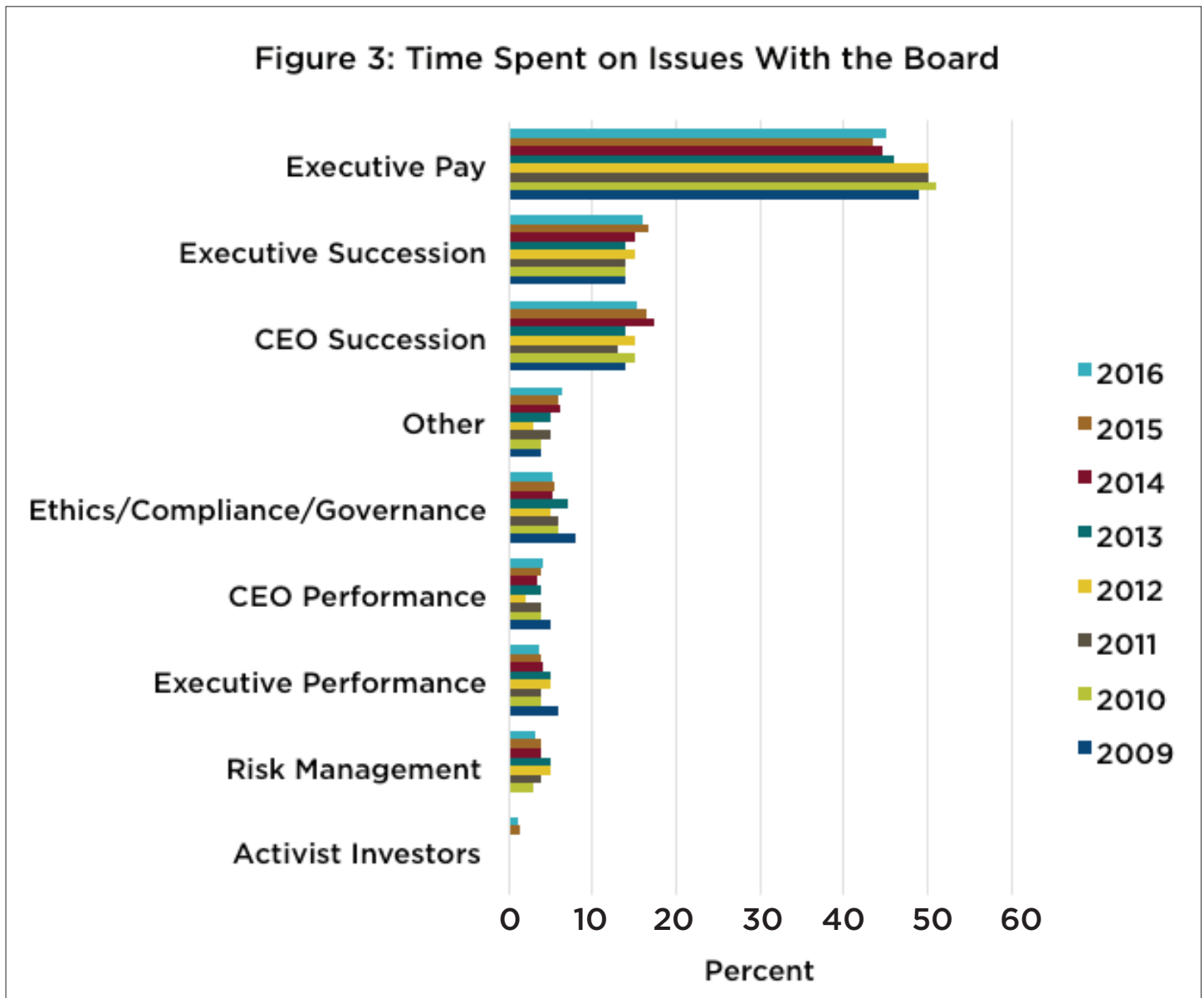


dealing with activist investors. Consequently, as can be seen in Figure 3, this year’s results reveal distinctions from past surveys. Whereas executive compensation used to comprise 50% or more of a CHRO’s time with the board, that has decreased to around 45% (over the last 4 years). This seems to indicate that boards and CHROs are becoming more adept at managing the numerous potential pitfalls regarding how to pay senior executives and how to communicate that pay externally. In addition, CHROs increasingly spend time with the board on both CEO succession and other executive succession (15% for both). This fits with our conversations with CHROs that suggest boards increasingly engage CHROs in succession

discussions. A separate CES study (to be released) found that board members appreciate the objective and independent view that CHROs can provide the board regarding succession candidates. Interestingly CHROs reported spending 6% of their time in the “other” category. The most frequently mentioned other topics were board succession, talent/leadership, and diversity. This suggests positive developments both in terms of boards seeking CHRO involvement and their increased focus on HR-related organizational issues such as talent and diversity.

Consistent with past surveys, we asked about the CEO’s agenda for the CHRO and the HR

Figure 3: Time Spent on Issues With the Board



function. As shown in Figure 4, the importance of talent issues was dominant. “Talent Management” (or talent) topped the list, being mentioned by almost 60% of CHROs, followed by “Succession” at 49%. When included with the 18% naming “Leadership Development,” 15% that mentioned “Coach and Build the ELT” and the 15% that listed “Talent Acquisition” it appears that virtually all the CHROs mentioned talent in one form or another. The other topic frequently listed was “Culture”, with 26% of our CHROs identifying it as a priority for the CEO. Finally, “Employee Engagement” (14%), “Build the HR Function” (11%), “Organizational Effectiveness” (11%), and “Strategy Execution (including M&A)” (11%) all were mentioned by more than 10% of CHROs.

For many years the HR profession has desired to have a “seat at the table,” meaning HR leaders directly report to business leaders and participate as part of the leadership team. At the top of the organization this means that the CHRO reports directly to the CEO. When we asked about who CHROs report to, 139 (93%) reported directly to the CEO, with the other 9 reporting to the CFO, General Counsel, CAO, and COO. Figure 5 displays these results.

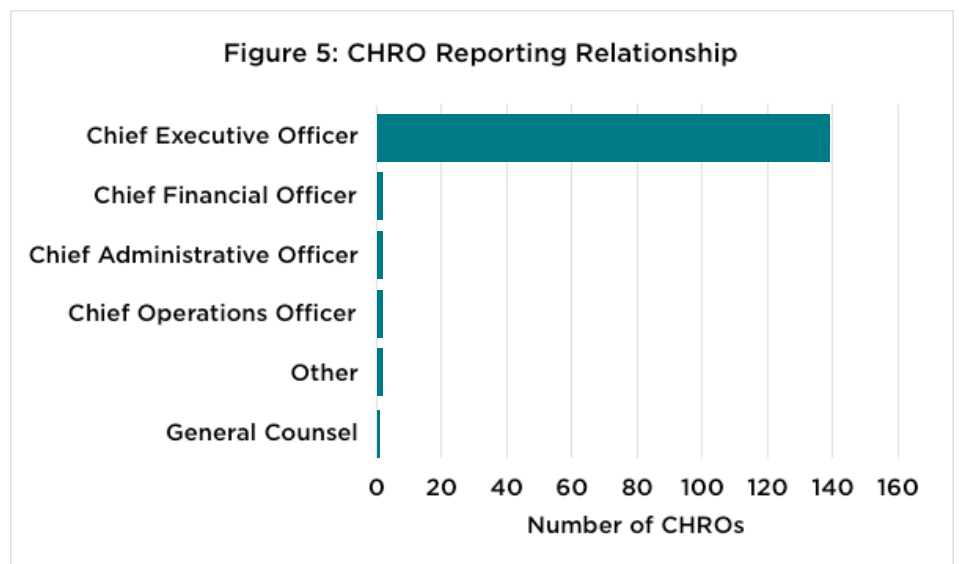
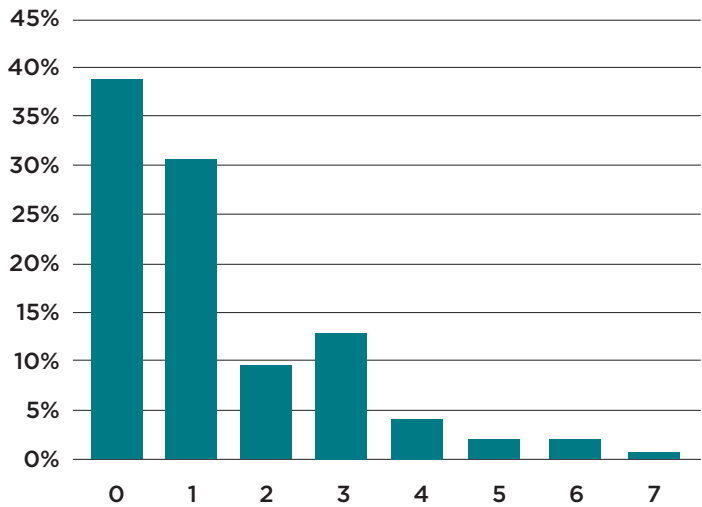
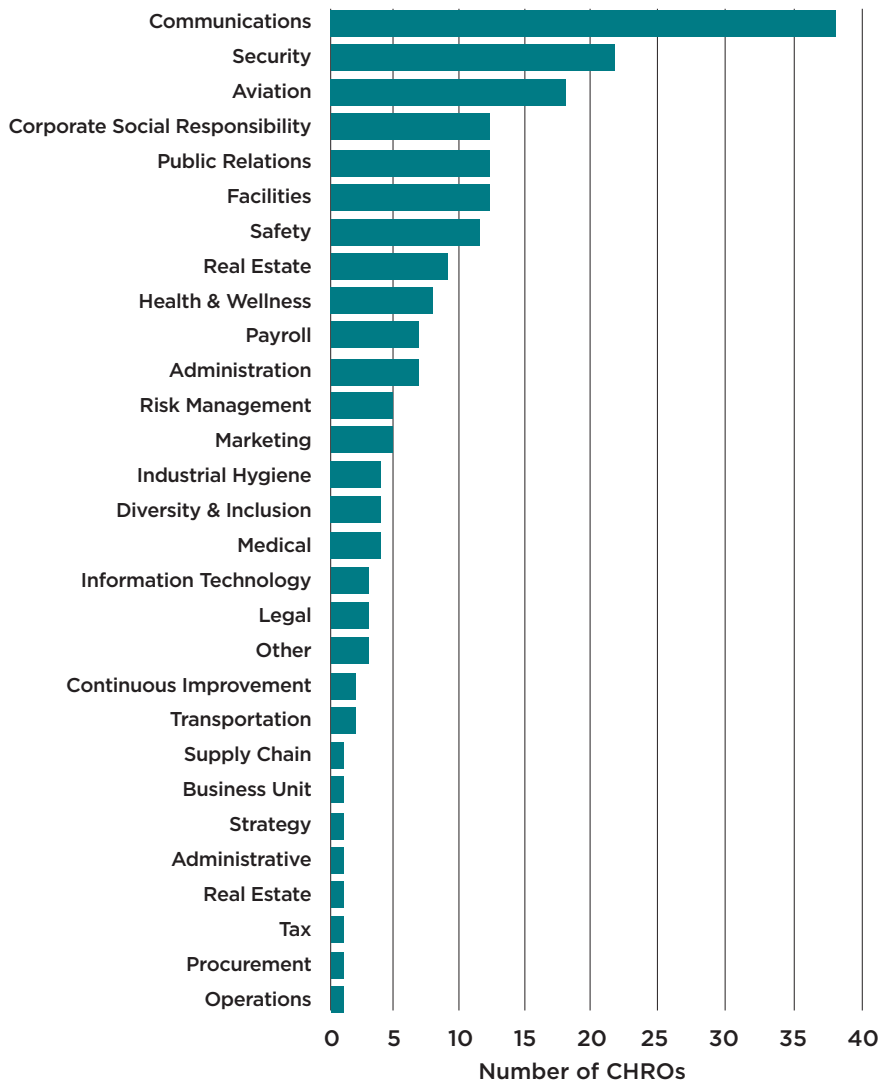


Figure 6: Number of Departments Reporting to HR



Another issue we have explored over years concerns the increasing responsibilities being allocated to the CHRO. Our past surveys and anecdotal evidence reveal that CHROs have been given responsibility for additional departments (besides HR). Our results reveal approximately 38% of CHROs have no other departments reporting to them, 31% have responsibility for one additional department, 9% for two, and 13% for three (See Figure 6). As Figure 7 shows, the department most often allocated to CHROs was communications with 38 CHROs having responsibility for this department, followed by Security (22), Aviation (18), Corporate Social Responsibility, Public Relations, Facilities (13 each), and Safety (12).

Figure 7: Different Departments Reporting to HR



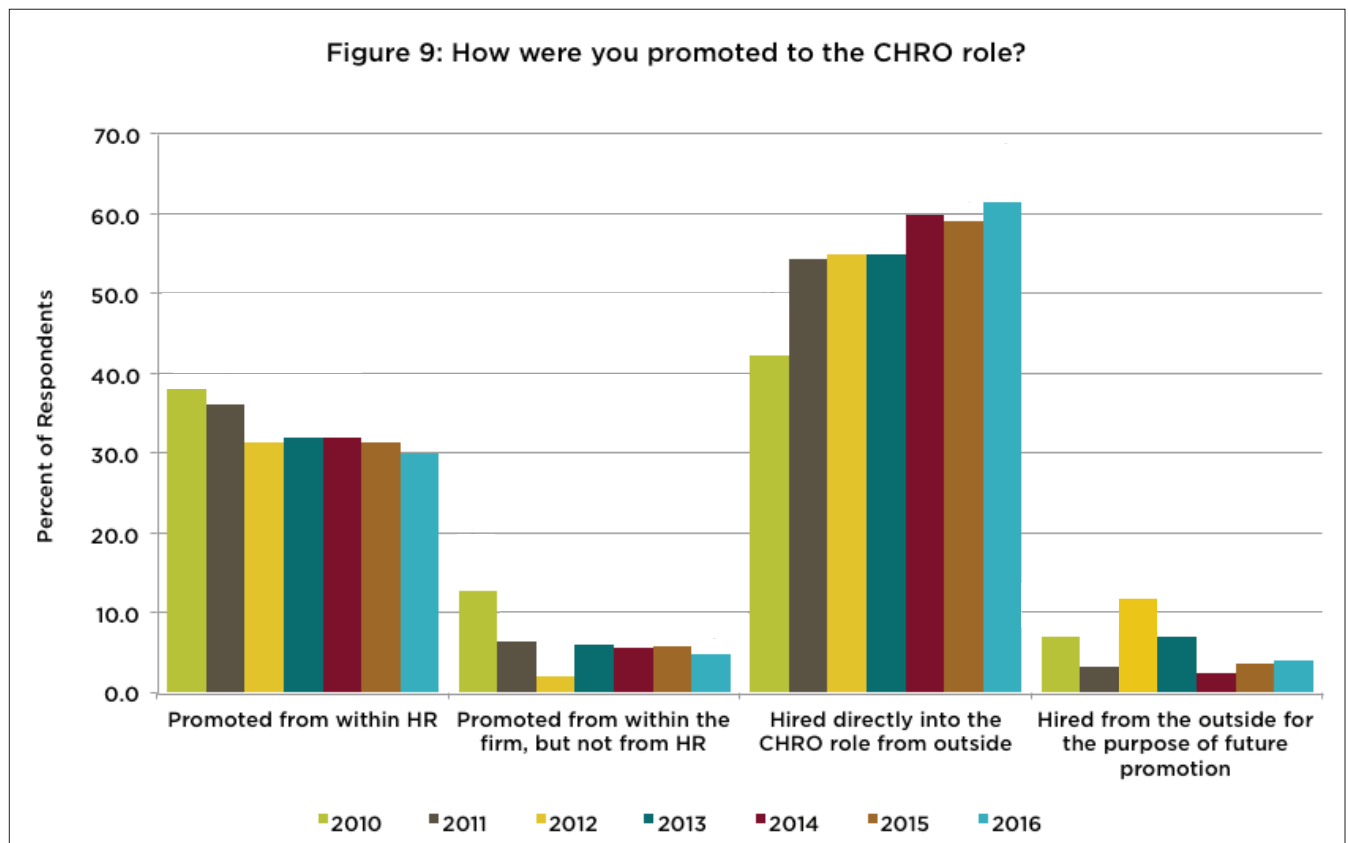
Given the increased emphasis on CHROs having business acumen and credibility with non-HR leaders, one often hears of the need for successful HR professionals to gain experience outside of HR. We have explored this question in past surveys, but decided to revisit it this year. We asked CHROs if they worked outside of HR at any point during their career and where.

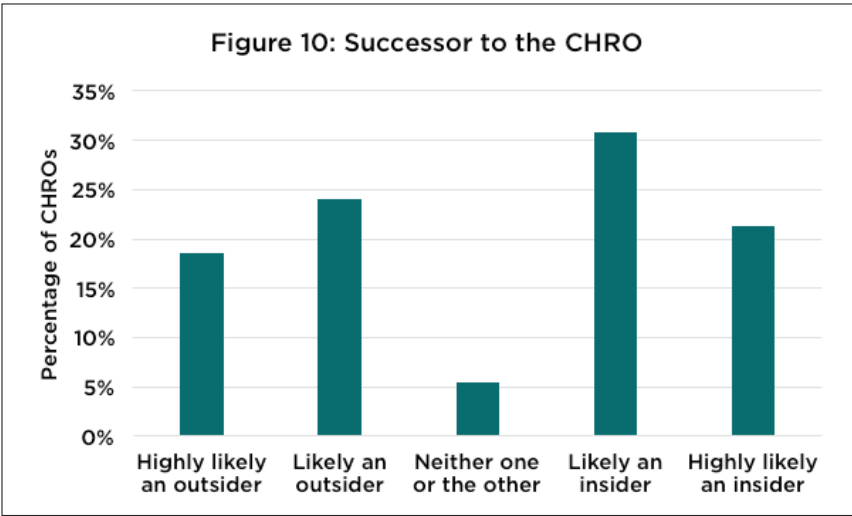
Consistent with past research, we found that 40% of the CHROs had no experience outside of HR, indicating that one can gain both business acumen and credibility without such experience. Of the 60% of CHROs with non-HR experience, 25% worked in one other function, 18% in two functions, and 10% in 3 functions. This suggests that while non-HR experience may not be a prerequisite for ascension to the CHRO role, it certainly can be a facilitator.

As Figure 8 shows, clearly the area in which the most CHROs have experience is operations/manufacturing, with approximately 22% having such experience. Around 8% of CHROs indicated general management/profit and loss experience, followed by a number of different functions reported by less than 5% of respondents (sales, marketing, legal, communications, etc.).

CHRO SUCCESSION

Our survey has consistently asked CHROs how they advanced into their role, with four options: Promoted directly into the role from within HR, promoted directly into the role from outside HR, hired directly into the role from outside, or hired from outside to be promoted into the role later. As can be seen in Figure 9, the results display a continued trend toward hiring CHROs from outside the firm. Since 2010, the percentage of CHROs hired from outside the firm has risen from 42% to 61%. At the same time, the percentage of CHROs promoted internally decreased to from 38% to 30%. Tracking





from 2011 to 2016 shows a steady trend toward direct external hiring. One positive development, however, is that it appears that firms are increasingly putting HR professionals into the CHRO role, as the percentage promoted from within the firm but outside of HR has decreased from 12.7 to 4.7.

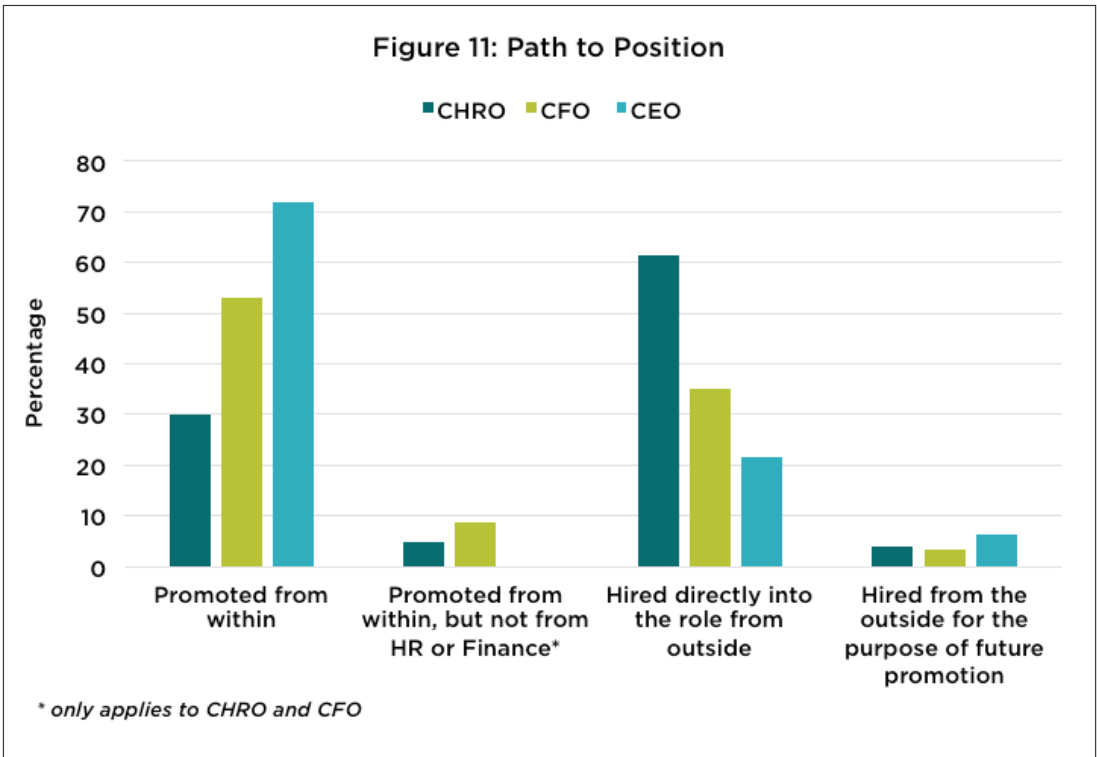
Relatedly, we asked the CHROs if they were to leave, what path they thought their successor would take i.e., from where would that successor come? As can be seen in Figure 10, approximately 40% thought that their successor would come from outside the organization, whereas just over 50% believed that their successor would be promoted from within the firm's HR function.

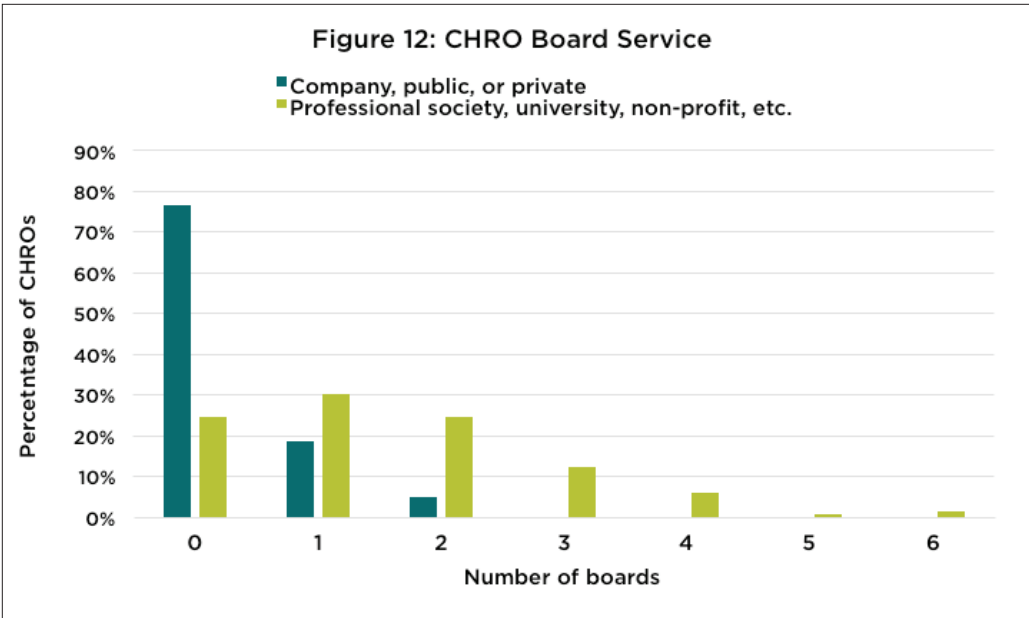
Consistent with the past few years, we also wanted to compare how CHROs came into their role compared to CEOs and CFOs. Figure 11 displays these results. Again, the CHRO role is by far least likely to be an internal promotion with 72% of CEOs and 54% of CFOs being internal promotions respectively.

Finally, one issue we explored dealt with CHRO service on outside boards. Certainly the HR community has expressed both a desire to and the desirability of having more CHROs on public company boards. Given the significant compensation and succession/talent issues boards must address, it seems logical that CHROs would provide needed expertise. Past research revealed that CHROs often serve on outside boards, but usually non-profit or professional society boards. We asked this question again this year, but also followed up to explore how much time CHROs spent on these boards. As shown

in Figure 12, approximately 77% of CHROs do not serve on for profit company boards, but only 24% do not serve on non-profit or professional society boards. Regarding for profit company boards, approximately 19% of CHROs serve on one board and 5% serve on 2 boards. On the other hand, 30% of CHROs serve on one non-profit/professional society board, 25% on two boards, 12% on three boards, and 8% on four or more boards.

Regarding time commitments, CHROs serving on for profit company boards reported spending an average of about 21 hours per quarter per board





results seem to indicate that in most companies the CHRO is considered an important resource for the board, but that this view is not yet universal.

SUMMARY AND CONCLUSION

The HR@Moore Survey of Chief HR Officers continues to provide consistent, comparable, and specific data regarding the CHRO role. This year’s results display relative consistency

on board activities. Of those serving on non-profit/professional society/university boards, CHROs reported spending approximately 9 hours per quarter per board. This helps explain why CHROs are able to participate in more of the latter than the former, as CHROs can serve on two non-profit boards for the time it takes to serve on one public company board.

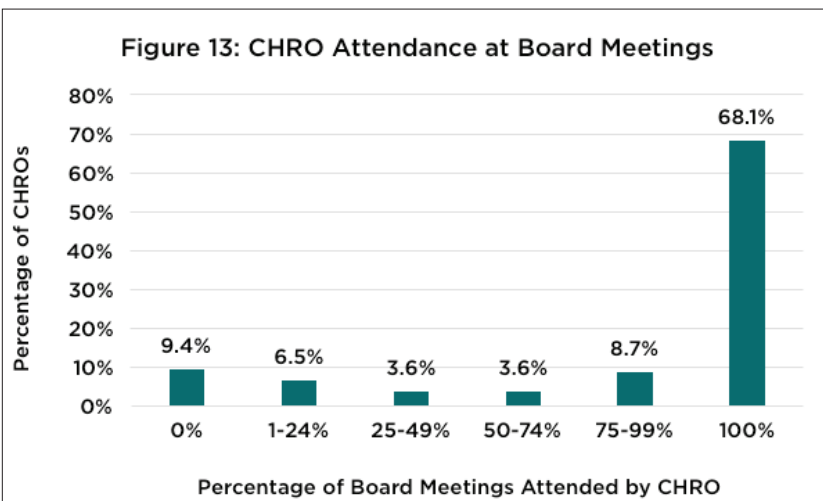
Finally, we asked respondents about their attendance at their own company’s board meetings in terms of the percentage of meetings that they attend. The results, shown in Figure 13, suggest that most (68%) attend all the board meetings, with 9% attending 75-99% of the meetings. Just over 9% do not attend any board meetings and almost 7% attend less than one-quarter of the meetings. These

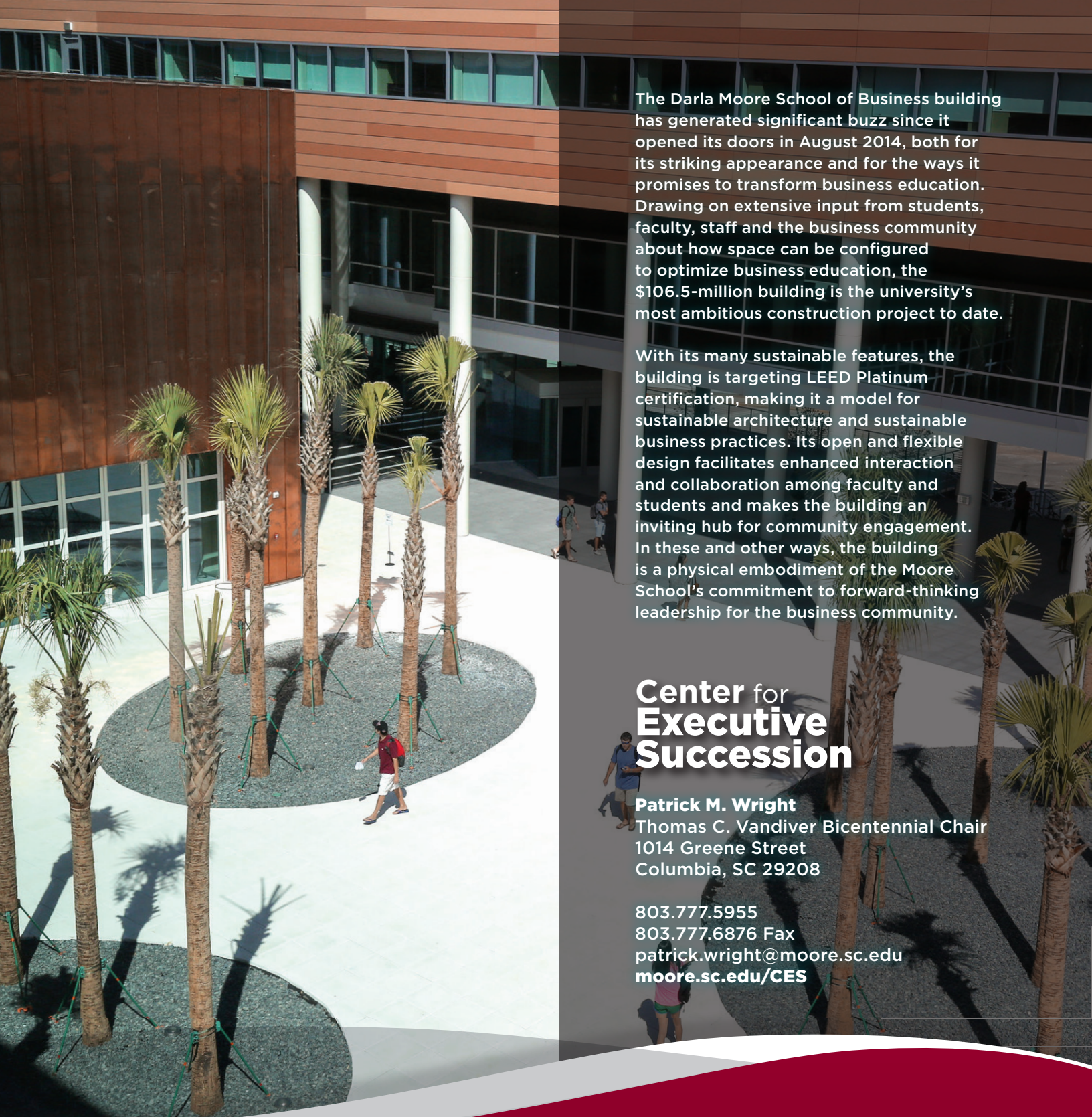
compared to previous years with regard to how CHROs allocate their time to various roles. We also find that over the past 5 years CHROs’ time with the board seems to be shifting from executive compensation toward CEO and executive succession, although the former still dominates. Additionally, the results show a continuing trend for CHROs to be increasingly hired from outside the organization and less likely to be internally promoted, and compares unfavorably to how CEOs and CFOs move into their roles. Finally, talent issues continue to dominate the CEO’s agenda for the CHRO and the HR function.

New to this year’s study, we found that most of the counseling that CHROs do with the CEO revolves around talent and the executive leadership team, followed by business advising, and board relations.

In addition, we found that 24% of CHROs serve on one or more for profit company boards, and 76% serve on one or more non-profit/professional society/university boards.

The HR@Moore Survey of Chief HR Officers has become a consistent part of the HR executive knowledge landscape. It provides both comparative and unique insights into the issues and challenges faced by CHROs. The survey will continue to focus on and reveal the changing nature of the Chief HR Officer role.





The Darla Moore School of Business building has generated significant buzz since it opened its doors in August 2014, both for its striking appearance and for the ways it promises to transform business education. Drawing on extensive input from students, faculty, staff and the business community about how space can be configured to optimize business education, the \$106.5-million building is the university's most ambitious construction project to date.

With its many sustainable features, the building is targeting LEED Platinum certification, making it a model for sustainable architecture and sustainable business practices. Its open and flexible design facilitates enhanced interaction and collaboration among faculty and students and makes the building an inviting hub for community engagement. In these and other ways, the building is a physical embodiment of the Moore School's commitment to forward-thinking leadership for the business community.

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