

## **Today's HR Leader—It's All About the Business**

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Today's top-performing companies embrace human resources. The executive leading the HR function is a strategic change agent, a savvy business person, a proven leader, a global authority, and a credible and trusted member of the executive team. The HR function has moved from a transactional one to a strategic one due in part to awareness at the C-level that HR adds value to the business and impacts the bottom line. Today's top HR executive leads a mission-critical corporate function, requiring a broad and deep level of expertise and leadership skills. He or she plays a seminal role in driving growth and innovation.

When Larry Montgomery stepped down as chief executive at Kohl's department stores in August to assume the human resources function, some thought he was being punished for poor performance. But to the retailer and other observers, the change made sense and was in keeping with Kohl's reputation as a talent management leader. Over the past decade, globalization, regulation and technology have changed the meaning of how an organization's people strategies impact larger business goals. Symbolic of this change is the fact that many corporations have tapped business executives to take on HR. Reportedly, one-fourth of Fortune 1,000 companies have selected their HR heads from other units. <sup>1</sup>

"People management, retention, recruitment, manpower planning, skills development and training—these are indispensable for business survival," says China Gorman, chief operating officer of the Society for Human Resource Management (SHRM). "HR can and should be one of the essential business functions." For top-performing companies, CEOs want workforce strategies that, like the finance and marketing departments, align the company with corporate goals and objectives. They want human capital and talent management professionals who can lead teams of highly skilled individuals focused on developing the workforce—the engine of growth.

Below we have identified five critical roles played by top HR executives, regardless of industry:

**Strategic Change Agent.** Today's head of HR looks very different from his or her counterpart from a decade ago. Instead of serving as an advocate for the employees, he or she is an advocate for the business. He or she understands market trends and the company's capability to capitalize on them for future growth. The top HR executive knows that an organization must continue to adapt to ever-changing market conditions, and takes the leadership role to affect organizational change.

"You want to put somebody in the role who understands what the business challenges are and what is the right thing to do from an HR perspective," says Edward Sweeney, senior VP of human resources at National Semiconductor Corp. He emphasizes that the person who chooses HR as a career path to be a nurturer rather than a business person has the wrong mindset. "I've talked to many HR folks who strongly believe happy people create a successful company and therefore spend all their energies trying to improve employee satisfaction. But unless you have a successful business model, it doesn't matter a damn if you've created happiness—the business is still likely to fail."

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<sup>1</sup> "Going from CEO to HR Minder at Kohl's," *Workforce Management*, Aug. 28, 2008

Today's strategic HR executive:

- Adds real value to business strategy, especially strategy focused on change management.
- Balances the dual roles of executive team member and employee ambassador.
- Identifies business goals and their challenges and solutions.
- Thinks outside the box. This person is not about maintaining the status quo, but rather disrupting the status quo.

**Savvy Business Partner.** Be a business person first and an HR person second. "Successful HR leaders are successful business leaders—they must be one in the same," Gorman of SHRM says. "To be a strategic player, HR needs to understand every aspect of the business and then make itself an integral part of every function's success." Today's top HR executives manage a business center that creates programs and processes aligned with driving profitability and sales growth. They also play a key role in managing downside risk to the company by navigating the complex regulatory and compliance environment.

Critical to an organization's success are its people. Without talented people, product just doesn't matter, and HR must drive performance. In doing so, performance metrics are increasingly being used as a company indicator and the astute HR executive will have systems in place to provide solid, reliable information to the CEO and CFO. He or she views the role as responsible for the effectiveness and cost of the workforce and knows how to increase productivity by managing performance.

The cost of the workforce should be one of the top benchmarks today's human resources executive can supply to top managers. Knowing the costs is essential to finding ways to increase productivity and thus the business's bottom line. At Hewlett Packard Co., Vice President George Haddad has worked closely with the global sales organization to increase sales force productivity. He views his role as responsible for the "effectiveness and cost of the workforce and how to increase productivity of the individual by managing the performance." One finding from analyzing the experience and results of the HP sales force, was that hiring more sales people directly from college at lower salaries, and stepping up their training, could save the company money. He continues to survey

sales force performance statistics weekly and monthly and reports to various country managers to show them the impact at the top line.

But only about half of HR leaders are expert in speaking the language of business, according to another report. One nationally published survey found 55 percent of business leaders rated HR as "well-versed" in financial acumen.<sup>2</sup>

The Institute for Corporate Productivity, in conjunction with HR.com, surveyed almost 400 organizations in January 2008 to come up with a list of what business acumen means. These were the common replies:

- An understanding of the company's business model and how it makes money.
- Knowledge of company-specific processes and product offerings.
- Knowledge of supply-chain, product marketing, customers and economic cycles.
- The ability to read and understand financial statement.

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<sup>2</sup> "The Business Knowledge Gap," press release from the Institute for Corporate Productivity, Feb. 13, 2008

**Passionate Leader.** Today's top HR executive is passionate about the business and selling the vision of the company. He or she must help galvanize the organization to ensure it meets its goals and succeeds with all stakeholders. The best HR leaders have the fortitude to question the status quo and offer creative alternatives to business as usual. The most successful ones demonstrate leadership by building solid business cases for their initiatives and achieving consensus for their proposals.

Human capital effectively employed can be the difference between a company's success or failure. The HR executive must create a line of sight between objectives and the company's mission, which is critical for engaging employees and ultimately delivering on the mission. He or she leads by example to motivate employees. At BMC Software, Senior Vice President for Administration Mike Vescuso says his No. 1 task is creating a corporate culture. "My job is to create one BMC. To create a common language for employees and managers to talk about performance, accountability, development. No matter where they are—Houston, Israel, India—everybody is using the same language."

Adds Executive Vice President of Human Resources Stephen Cerrone at Sara Lee Corp.: "You need to get people to understand why change is needed and come up with sensible solutions that do not leave people worse off than they were before."

Operational problems occur within companies where the people are not clear on the common goals or purpose, says Sweeney. "Nine out of 10 operational issues boil down to people or organizational problems," he says. "The real challenge for HR leaders is to understand where the problems are and apply bold HR action plans to address those issues and improve the operating outcomes."

"You have to question everything," says Bill O'Neill, group vice president at Lam Research Corp. "Why are you organized this way? What are the alternatives? You're always asking uncomfortable questions."

**Global Authority.** Today's top HR executive has a broad view of the world and is a key driver of global strategy. Whether small or large, companies face global challenges. The effective leader never stops learning—and takes a world view toward about different cultures and about how to sell to disparate groups. Perhaps more than any other in the company, he or she embraces diversity.

Globalization is accelerating the need for a deeper understanding of international economics, laws and culture. The top HR executive needs to know about work rules in Spain, pensions in France and factory conditions in Malaysia. Cerrone says it is very important to have a global mindset. "There's no doubt that I wouldn't be in this role unless I'd lived outside the U.S.," he said. "For a senior-level job, significant international experience should be a must-have."

The HR executive is expected to evaluate and act upon global trends in the availability and demand for key talent, total cost of labor, economic conditions and geopolitical developments. The global HR executive will need to address vastly different regulatory environments, labor laws, employee income tax structures and cultural and communication differences. Whether a company is establishing new operations, acquiring new businesses or relocating groups of employees, the HR executive must lead and guide decisions about the strategic and operational deployment of talent.

**Credible and Trusted Partner.** Today's top HR executive has the trust of the CEO, executive team and board. Often he or she is the first sounding board of the CEO because many decisions directly affect a company's human capital. Recent regulation has increased the top HR executive's interaction with the board. He or she plays a critical role in driving executive compensation and succession planning, both greatly involving boards.

Don't be afraid to push back and ask questions, encourages Mike Vescuso. "I had a boss who used to say he'd never fire someone for doing the right thing. Be a business partner, not a business server."

Gary Kapral, senior VP of human resources at Bally Technology, says: "I have the CEO's ear. My counterpart HR leaders are often looked at as cops whose scope is to hire, fire and keep the company in compliance." For example, Kapral was asked by the CEO to help close a technology purchase. "There was no conventional reason to call upon the HR person, but he trusts me. He asks me to use my people skills and emotional intelligence when a particular situation warrants it as well as business acumen he trusts I will use, not only on the deal, but also to help integrate it."

At Sara Lee, Cerrone also oversees worldwide communications, including all public relations, branding and marketing. His work advising the senior team, and the ability to ascertain where manpower was needed, was instrumental in consolidating those operations under him.

### **Conclusion**

Human capital management is growing in importance today because it's a strategic function driven by the increased sophistication and globalization of the corporation. The HR leader function in top-performing companies is one that is a mission-critical.

Top companies know that the HR role as a custodian of the people is outdated. Tighter corporate governance rules, succession needs, and economic pressures all mean that HR leaders must know how to use the human capital within the organization effectively. They must be responsible for executing talent management strategy, provide fresh thinking about resource allocation, and find creative ways to enable superior performance from business leaders.

The strategic HR executive is a business person first. He or she knows how the business functions, has mature relationships with its leaders and creates a common culture to achieve goals.

There is a shortage of top HR leaders and those with the skills and knowledge necessary to take a seat at the business table will be in demand. As more companies recognize the HR function as strategic, demand will continue to grow. Executives need to recognize now the importance of the role and ensure high standards are set.

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