HR IN THE BOARDROOM

THE HR PROFESSIONAL'S GUIDE TO EARNING A PLACE IN THE C-SUITE

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The HR Professional's Guide to Earning a Place in the C-Suite

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This book is dedicated to
Shelly, Allie, and Allix, my inspirations
in so many ways

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My personal thanks to Albert George for the invaluable professional assistance I have received from him during my previous and current endeavors.

Introduction

In a sense, this book is the culmination of a series of conversations held with family, close friends, and colleagues over several decades about the ups and downs of my business career in human resources. The conversations included what I had learned and observed over 40 years. One of these conversations started quite a few years ago when a now good friend named Mike Johnson and I first met while sharing the speaker's podium at an HR-themed conference in Istanbul, Turkey. Mike is a savvy business writer and consultant based in the United Kingdom who writes about the importance of organization talent.

My presentation at the event in Istanbul covered the "disconnect" between the very positive opinion that many HR professionals had about their contribution to the stewardship of an enterprise and the dramatically less complimentary assessment of a number of CEOs who were also surveyed on the subject. The audience at the conference was largely made up of HR professionals. The polite but restrained applause I received at the conclusion of my presentation indicated I may have hit a sore point. While I was packing up to catch a plane back to London where I was based at the time, Mike introduced himself to me and shared his personal agreement with what I had presented. We chatted for a while, exchanged contact information, and unlike most encounters of this type actually stayed in touch following the conference.

Over the years, Mike and I discussed his latest ideas for a book on talent or speaking opportunities that may have been of interest to me. In the process, I kept him abreast of my various foreign assignments with a large multinational oil company and my experiences working with the chief executives of the various affiliates and divisions of the company. We stayed in touch after I left the oil company and returned to the United States to eventually work for a smaller energy company. During my eight years with this company, I reported to the CEO and was a member of the executive committee with responsibility for HR, information technology, and security. I continued to share my experiences at this company with Mike, including the relationship I had with the CEO that seemed to not follow the norm. My thoughts on business strategy were sought and encouraged by the CEO. Eventually, I also felt that I was treated as a trusted advisor by the CEO, members of the executive team, and the board.

During the many years that had intervened since we first met in Istanbul, one constant seemed to be in the background of all our conversations—the ongoing "disconnect" between most other HR professionals, the CEO, and other senior executives who are leaders of a business. Unfortunately, this disconnect helps drive a longstanding complaint by many HR professionals concerning the difficulty in gaining "a seat at the table." The phrase "a seat at the table," used by civil rights leaders in the United States in the 1950s and 1960s, has been borrowed by the HR community. Over the years, the phrase has come to serve as a rallying cry about HR's need to be a member of senior management in an organization and have a seat at the table where business strategy is developed and the most critical general management decisions are made.

Though the ranks of the HR profession are filled by hard working dedicated individuals helping their respective organizations meet important business goals and objectives, a nagging negative characterization of HR by CEOs and other senior leaders continues to exist today. Put simply, many top business leaders still don't view HR as critical to the development of business strategy or even knowledgeable about business. It is a problem that has persisted for decades. This HR problem appears to be global and seems to exist across industries.

many top business leaders still don't view HR as critical to the development of business strategy

Over the many years since I gave that presentation in Istanbul, CEOs and other top level executives have continued to consistently point out the perceived lack of strategic capability, general business acumen, and ability to impact company performance of HR professionals. Despite the hundreds of articles and books that have been written on the importance of HR as a valued, or strategic, partner to the leaders of businesses, members of the HR profession continue to be viewed as falling short. General business understanding, strategic thought and planning, and overall ability to effectively contribute positively to the bottom line are all areas that are considered critically important to the success of the enterprise by CEOs and other senior leaders of organizations. As a result of appearing to fall short in these areas, many HR professionals still don't have one of the coveted seats at the table in the C-Suite.

While some HR professionals have been successful in gaining promotion to the senior ranks of some organizations, often with the title of chief human resources officer, or CHRO, there continues to be a need for insight about how HR professionals can move from being viewed as the heads of a "support" function to being considered the business equal of their colleagues in the C-Suite. The experience of being a member of the executive committee of a publicly traded company came toward the end of my career. However, it gave me a valuable insight into what it means to have "a seat at the table." It was Mike Johnson who nudged me into writing this book when I retired with the hope that it might help others in the HR profession and executives in general.

This book is about how HR professionals can operate more effectively at the top of organizations. HR, the human resources function of a company, affects everyone at every level in an organization, from members of the board of directors to hourly paid workers. HR also impacts key stakeholders and organizations outside a company, as well as the community at large. HR has a scope of responsibility that is far reaching and economically significant. It therefore makes good business sense that the senior HR professional responsible for this important function operates effectively in the C-Suite.

HR also impacts key stakeholders and organizations outside a company

This book provides insight into operating as a senior HR executive in the C-Suite, based on my personal experiences. It isn't a biography, but I will share what I learned on my way to the C-Suite. The book explores how senior HR executives can build strong working relationships with the CEO, other members of the executive team, and the board of directors. The book addresses the skill set needed to transition from a senior specialist in HR to a C-Suite executive with broader corporate management responsibility and strategic impact.

While the book is intended to be of help to HR professionals, it addresses the skills and abilities needed by anyone who aspires to operate at the highest level of an organization, including would-be CEOs.

Chapter 1: The opening chapter addresses the relationship between CEOs and HR and the perceived business deficiencies of many HR professionals. It explores why CEOs continue to complain about the lack of strategic focus and business understanding by senior HR professionals and why those perceptions persist. The chapter covers the practical steps that can be taken to help change HR's reputation.

Chapter 2: The general business and personal skills needed by senior HR executives to earn a seat are covered in this chapter. It builds on the observations of Chapter 1 and includes questions to help determine gaps in the skills required for a seat at the executive table. The chapter will also provide concrete examples of the behavior to be demonstrated by HR executives if they are to ever earn a place in the C-Suite.

Chapter 3: The unique role that a senior HR executive with a seat at the C-Suite table can and should play is examined in this chapter. The chapter provides a behind-the-scenes look at what takes place in the C-Suite and what it takes to be successful in that environment. The chapter includes "real-life" practical tips on how HR executives can increase their personal effectiveness when participating in strategic discussions and business decisions.

Chapter 4: This chapter provides practical advice to HR executives on how to gain an in-depth understanding of their company's business. The chapter gives advice on how to view a business from the perspective of the CEO, the CFO, other C-Suite executives, and outside financial analysts. Suggestions will be given on how to effectively leverage the unique position the senior HR executive has to work across and understand the various functions within the business.

Chapter 5: The pivotal role the senior HR executive should play in making sure that the CEO and other members of the executive team treat human resource management as a *critical business process* is covered in this chapter. The influencing and facilitation skills needed by the senior HR executive so that the executive team takes ownership of the responsibility to provide effective stewardship of human resource management is examined.

Chapter 6: This chapter discusses the role of the senior HR professional in effective succession planning and how it can also be a risk mitigation process for the business. Building on elements introduced in Chapter 5, this chapter takes a detailed look at how the senior HR executive can help the CEO and executive team operate an effective succession planning and leadership development process that avoids time wasting bureaucratic procedures.

Chapter 7: The dynamics of how to effectively coach the CEO and the other C-Suite executives are explored in this chapter. This chapter shows how the senior HR executive is often involved as an informal coach to the CEO and members of the executive team, and the skills that are needed. Effective ways to overcome resistance to coaching are discussed.

Chapter 8: The concept of the senior HR executive as a trusted advisor to the CEO is examined in this chapter. The chapter discusses how being viewed as the CEO's trusted advisor could have both positive and negative effects within the executive team. How the senior HR executive can leverage being the CEO's trusted advisor to help increase the effectiveness and performance of executives in the C-Suite is also explored.

Chapter 9: This chapter discusses the steps and techniques the senior HR executive may employ to address and diffuse situations of conflict within the executive team. The chapter explores why the executive team in an organization may sometimes be characterized by displays of rivalry, jealously, or even outright hatred. The chapter also discusses how the right type of conflict can help better decision making.

Chapter 10: The chapter provides insight into how the senior HR executive normally interacts with the board and board committees. The chapter also covers the role the senior HR executive can play in increasing the board's effectiveness and assisting in searches for new board members. This chapter discusses situations in which the senior HR executive may be required to address sensitive issues involving the CEO, other members of the executive team, or the board.

Conclusion: The book concludes with a wrap-up assessment of the HR profession today and where it must go to be effective in the wired-up world of tomorrow. This final section offers practical "do it now" advice to both HR managers and C-Suite executives on how to make HR a fully functioning, productive part of organizations today and in the future.

chapter 1

What CEOs Really Think about Most HR People and Why

Why start this book with a look at the relationship of HR with CEOs? The reason is very simple. The key to an HR professional earning, and keeping, "a seat at the table"—that venerated and almost mythic location in the C-Suite—is heavily dependent upon the relationship with the CEO. The board of directors, the other members of the executive team, and the employees in the organization will all look at the CEO and HR relationship to determine the value placed on the function.

Understanding the perceptions—and biases—that many CEOs have about HR is a very important first step for any HR professional who wants to increase the probability of earning a place in the C-Suite. In theory, there may be instances when an HR professional gains entry to the C-Suite, and a seat at the table, without the endorsement or sponsorship of the CEO. However, those instances are probably exceedingly rare. In reality, it is much more likely that the CEO is a gatekeeper who has significant influence in determining if an HR professional, or any other executive, will reach the C-Suite level in the organization.

Almost everyone has an opinion about HR. CEOs are no exception. And like most people, the opinion formed by a CEO about anything or anyone, including HR, is usually an interesting combination of personal experience, the CEO's intellectual analysis of information and data, and the CEO's internal set of emotional processes. Sometimes, folklore may even play a part in this opinion formulation process. What CEOs think of most HR people, that is, what prompts their opinion, is probably no different. It is likely a combination of their personal experience with HR, what they may read and think about HR people, and the emotional filters that may affect how they feel about HR.

Though it makes sense to start with the CEO and HR relationship, delving into what CEOs really think about most HR people and why requires a willingness to deal with some unpleasant observations and data about the human resources function. It also requires treading into the murky waters of what drives the attitudes and mindset of the typical CEO. Since it is a lot easier to deal with *what* CEOs think of most HR people we will start there before we attempt to tackle the *why* a little later in this chapter.

What Many CEOs Feel about HR

In recent years, CEOs have become much more skilled at expressing the importance of people and the value placed on the HR function. It is probably a safe wager that almost all CEOs at some point in their tenure have stated, or will state, that "the employees of the company are its most important asset," or words to that effect. Global competition, the proliferation of technology, and the importance of a talented workforce, means that for most companies this statement is true. Intellectually, CEOs know it is almost impossible to gain a competitive advantage without having the right people in an organization in the right place making the right contribution to the success of the enterprise.

There are many CEOs and organizations who demonstrate that they wrestle with the complexity of human resource management as the best way to make their companies more successful. One would be hard pressed to find an organization of substantial size that does not have a senior HR professional, sometimes with the title chief human resources officer (CHRO), whose job is to make sure the company recruits, retains, and rewards the best people needed to enable the organization to accomplish its mission and meet its business goals and objectives. Though some CEOs speak more positively about HR and some organizations have elevated its stature, what do many CEOs really think about the function?

What do CEOs say about HR in surveys?

Fortunately, there is no need for speculation when attempting to determine what CEOs think about HR. Over the years, it seems as if a new industry has developed that is devoted to exploring through surveys both the positive and negative pronouncements of CEOs about HR through surveys. Consulting firms, academics, and HR professional organizations have all looked at, and opined on, the state of the CEO and HR relationship based on surveys they have conducted. Some of these surveys have been longitudinal studies where data has been collected over a number of years. The Society for Human Resource Management (SHRM) in the United States, the Economist Intelligence Unit in collaboration with the technology giants Oracle and IBM, and the Chartered Institute of Personnel Development (CIPD) in the United Kingdom have all conducted surveys in the past few years in which CEOs have shared their opinions about HR.

As would be expected, the surveys of CEOs do highlight that people issues continue to be high on the senior leadership agenda. In general, CEOs acknowledge that HR's role in recruitment and placement of talent, and better management of human resources, is important in gaining a competitive advantage. The surveys point out that CEOs have a more favorable opinion of the importance of HR and what the function does. It is hard to argue against the contention of many HR professionals that the function has taken on new significance in many organizations and is now more valued than ever before. Most CEOs also think of HR as a key player when it comes to succession planning, compensation and benefits or reward systems, employee communications, and organization change. CEOs will speak of the trusted advisor and confidante role that some senior HR professionals fill. The surveys reveal that many CEOs have strong personal relationships with their senior HR professional and consider this person someone with integrity and good interpersonal skills. Frankly, the importance of these HR roles probably should have been talked about more favorably by more CEOs many years ago. However, for many of the CEOs polled in surveys something is still missing when it comes to HR.

Some of the CEOs indicate that they still have not seen a clear and direct connection between what HR does and increased profitability or business growth. The surveys have another consistent theme—many CEOs have a less than optimum opinion of the business ability and business understanding of HR professionals. Unfortunately, this appears to be a global assessment. The broad reach of many of the firms and academics conducting the surveys has yielded data generated from the Americas, Europe, and Asia. The data also appears to be consistent across industries. As we now move toward the end of the second decade of the 21st century, the attitude of a sizeable number of CEOs about HR is reminiscent of the attitudes expressed by CEOs in the middle of the last century.

many CEOs have a less than optimum opinion of the business ability and business understanding of HR professionals

The CIPD survey

Instead of considering the general characterizations of HR from a number of surveys, let's look at some specifics from one. The relatively recent survey report by CIPD published in early 2013[1] is a good place to start. It gives us insight into what business leaders think about HR and its contribution to business performance. More importantly, the CIPD survey also asked HR their opinion about the contribution HR makes to the business. As a result, we can "compare and contrast" the assessment of HR's contribution to business performance by business leaders with what members of the HR profession had to say about themselves. The CIPD surveyed 369 business leaders and 107 senior HR professionals to obtain "insight and expert commentary about HR's current and future contribution to business performance." The survey did not seek the opinions of a business leader and an HR leader from the same organization.

Let's deal with the good news from the survey first. Business leaders and HR respondents appeared to be in synch with each other regarding the top business priorities—cost management, organization agility, market growth, productivity, and increased customer focus. The survey also showed that business leaders and HR appear to "lose sleep over the same things." In other words, HR leaders and business leaders seem to agree on the top five challenges facing most businesses—right skills and talent, economic uncertainty, delivering on priorities with a limited budget, managing cost, and leadership capability.

HR and business strategy

Things became interesting when the survey touched on HR's contribution to business strategy. The survey asked the business leaders this question:

To what extent are senior HR people in your organization involved in business strategy?

Table 1.1 contains the responses from the HR leaders and business leaders:

TABLE 1.1 HR involvement in business strategy

	HR leaders	Business leaders
Integral in setting the strategy	62%	29%
Involved in communicating strategy	51%	35%
Involved in implementing strategy	60%	35%
Don't know	3%	18%
Senior HR people have NO involvement	5%	18%

Source: CIPD HR Outlook: A variety of leaders perspectives, Winter 2012–2013, with the permission of Chartered Institute of Personnel and Development, London (www.cipd.co.uk)

In the introduction to this book, I recounted my presentation at a conference more than 20 years ago where I spoke about the "disconnect" between HR and CEOs regarding HR's contribution to the business. Not surprisingly, the caption in the CIPD's report about the findings contained in Table 1.1 was "we are not always connected." In the words of a famous American baseball player well known for malapropisms, reading the CIPD survey data was "déjà vu all over again" for me.

Understandably, the CIPD tries to explain the data in the most favorable light. However, it is difficult to ignore several of the implications of the responses. Let's start with the obvious ones. HR's opinion of its involvement in setting business strategy is definitely inflated when compared to what business leaders think. Sixty-two percent of the HR leaders thought they were integral to setting business strategy. In contrast, 29 percent of business leaders thought HR was integral. A significant number of business leaders say HR has no involvement at all in business strategy or don't know. In other words, the business leaders surveyed doubted any real contribution from HR to business strategy. The business leaders surveyed did give HR slightly more credit for *implementing* rather than devising strategy business strategy, and if anything this is how they perceive HR. Unfortunately, HR people picked up the reputation of being good at implementation years ago and it appears to still be true.

Understandably, the contribution to business strategy issue seems to be very important to CEOs. Granted, we will often hear the term "HR strategy" expressed by HR professionals as a key output of the function. Often, HR strategy refers to what HR has come up with to match the function's understanding of what needs to be done from a people standpoint to help the business meet its goals and objectives. In my experience, the process of developing an HR strategy has not always been done in close coordination with the leaders of the business. In many cases, HR strategy actually means the strategy to implement and administer the HR policies and practices thought needed to help the business (sometimes whether the business leaders want the policies or not). Many HR professionals consider this a strategic contribution and may have it in mind when they give what are obviously overly positive responses to enquiries about HR's strategic partnership role with the business. Unfortunately, the CEO and other senior executives often have something entirely different in mind when asked about HR's contribution to business strategy.

HR's contribution to the business

What did business leaders think about HR's contribution to the business? Table 1.2 summarizes the responses of business leaders when asked to agree or disagree with statements about HR's contribution to the business. This picture also isn't particularly pretty.

TABLE 1.2 HR's contribution to the business

	Agree	Disagree	No opinion
HR combines commercial and HR expertise	21%	40%	39%
HR helps organization to become flexible/agile	27%	36%	37%
HR prioritizes what matters to HR over wider organization issues	52%	17%	30%
HR fails to address the operational issues facing the organization	44%	25%	31%

Source: CIPD HR Outlook: A variety of leaders perspectives, Winter 2012–2013, with the permission of Chartered Institute of Personnel and Development, London (www.cipd.co.uk)

The first statement business leaders were asked to agree or disagree with was:

HR combines commercial and HR expertise

Forty percent of the business leaders surveyed disagreed with the statement. Another 39 percent of the business leaders had no opinion. Things did not get any better when the business leaders were asked whether HR was able to help the organization become more flexible and agile—only 27 percent of business leaders agreed. I found the response by 52 percent of the business leaders that HR prioritizes what matters to HR over wider organization issues particularly troubling.

Unfortunately, business leaders reiterate in the CIPD survey the reputation that HR has tried to shake for years. Granted, I am making a broad generalization but, in my experience, most CEOs don't think of HR people as business people. Few HR people have reached the status of business peer in the minds of CEOs and other senior executives. When I have been able to get CEOs to tell me what they really think of most HR people they often speak of HR inhabiting its own special world within their respective companies.

It is easy to understand why a CEO may have that opinion. Many HR professionals have spent the bulk of their careers in the HR world and have become fluent in the nuanced jargon of HR. Ask some of these HR people to explain the financial concepts of the time value of money, internal rate of return, or discounted cash flow, and their eyes may glaze over. Even those CEOs who indicate HR has become more of a key player in the C-Suite make it clear there is a lot of work that needs to be done before most HR professionals are considered to possess the business savvy equal to that of other executives in the C-Suite, if one reads between the lines of their polite survey responses.

What about the HR Strategic Partnership?

With people so critical to the success of an enterprise, it would logically follow that the CEO—the person charged with making sure that the enterprise reaches its goals and is successful—and the senior HR professional would have a close and effective business relationship. Many think of this as "HR's strategic partnership" with the business. However, despite the increased prominence and recognition now afforded HR, there are business leaders who contend that HR still has a long way to go before being considered a true strategic business partner and a driver of business success. Frankly, after years of talk about HR gaining a seat at the table, meaning entry to the C-Suite and presumably participation in the most critical decisions affecting the enterprise, many CEOs continue to indicate that the role of strategic business partner has yet to be realized.

HR's uphill struggle

The effective leveraging of HR to impact business strategy continues to be an uphill struggle. Today, the majority of companies are still wrestling with this issue, as evidenced by the assessments of prominent academic writers on this subject. One is Dave Ulrich, Professor at the Ross School of Business at the University of Michigan, who is widely recognized as an authority on HR and its relationship with business leaders. Professor Ulrich has authored or coauthored more than 200 articles and book chapters and more than 25 books on HR and leadership.

Professor Ulrich is generally credited with advancing the concept of HR acting as a strategic partner with the CEO and other senior business leaders. In addition to being a university professor and renowned author on the subject of HR, Professor Ulrich is also a partner in the management consulting firm, The RBL Group. According to the firm's website,[2] Professor Ulrich studies "how organizations build capabilities of leadership, speed, learning, accountability, and talent through leveraging human resources." If this is not the sort of thing about HR that would appeal to all CEOs and members of the C-Suite, I am not sure what would. Yet, in an interview with Karl Moore in Forbes Magazine a few years ago entitled, *Dave Ulrich on why HR should be at the C-Suite_table*,[3] Professor Ulrich acknowledged that it is a minority of companies that have good HR people seated at the table helping senior executives meet the challenge of managing people more effectively. In the article, he references these "good" companies as the 20 percent that would represent one side of a 20/60/20 bell-shaped distribution. Professor Ulrich goes on to explain that, in his opinion, there are a number of companies who make up the 20 percent at the other end of the distribution curve that will never be able to make effective use of HR. He attributes this to either shortcomings on the part of the HR person, or the business leader, or both. Professor Ulrich says his focus is on the remaining 60 percent largely in the middle. In theory, this segment can eventually join the 20 percent of good companies through "training and teaching."

Let's assume that the universe of companies Professor Ulrich references is a representative sample. If there is anyone likely to be successful in helping companies shift this distribution it will probably be Professor Ulrich. However, the cynic in me believes we are still likely to have a fair number of companies for some time to come where HR does not have a seat at the table and is not effectively leveraged by CEOs and other senior managers in the C-Suite. Granted, the interview with Professor Ulrich was a few years ago, so let's assume that he has had success in helping to move companies out of the 60 percent and into the good 20 percent. If he has been able to double the number of companies in the "good" category, that is, add another 20 percent from the 60 percent in the middle, we still have only 40 percent of companies in his universe effectively leveraging HR through a seat at the table.

Edward E. Lawler III and his colleague John Boudreau are other distinguished academics who have written about the HR function and its role in business strategy. Professors Lawler and Boudreau are with the Center for Effective Organizations in the Marshall School of Business at the University of Southern California (USC). Professors Lawler and Boudreau recently published a book entitled *Effective Human Resource Management: A Global Analysis*.[4] Their research examined HR's role in business strategy since the late 1990s. Per Professor Lawler, "HR needs to do more than just understand the business; it needs to make specific connections between business issues and how human capital affects them." Professor Lawler's research points out that there appears to be a correlation between the level of interpersonal skills of HR professionals and their role in strategy. This involves interaction with the CEO and executives, which is the key to participation in strategy.

The research performed by Professors Lawler and Boudreau covered data from 1995 to 2010 that showed HR spent less than 15 percent of its time as a strategic partner. Professor Lawler, writing in *Forbes* magazine in February 2014[5] commented that data he recently collected in 2013 shows that HR spends most of its time "dealing with the implementation and administration of HR policies and practices." Per Professor Lawler, the conflict with the reality of what HR does and what HR thinks it does appears to be global when large corporations are surveyed since his data covered companies in the United States, Canada, Australia, India, Europe, China, and the United Kingdom.

Research and surveys show there is little doubt that CEOs are becoming increasingly aware of the importance of having the right human resources in the right jobs to the success of the company as the challenges confronting business become more difficult. Lawler and others comment, what HR can and should do to impact business performance directly continues to be elusive. For many CEOs, the jury is still out on whether or not most HR professionals currently have the skills needed to help in the difficult task of leading and guiding a modern organization. CEOs and other senior executives are exposed to and are courted by some of the best brains in the HR consulting business. However, CEOs and other senior business leaders are also very much aware of the reality of the capabilities of the HR people they have met along the way or currently have in the organization.

Lawler and others comment, what HR can and should do to impact business performance directly continues to be elusive

WHAT DO MANY CEOS AND BUSINESS LEADERS THINK OF MOST HR PEOPLE IN A NUTSHELL?

Anyone who does a quick internet search about the current state of the relationship between CEOs and HR will find articles and blogs with phrasing critical of HR that is uncomfortably familiar and not much different from years ago. Unfortunately, the bottom line assessment that many CEOs and business leaders make about HR comes down to this:

- *"HR isn't strategic,"*
- *"HR is good at implementation and administration but not much else"*
- *"HR people don't understand business"*
- *"HR needs to be more proactive and help drive business growth"*

Now that we have looked at what CEOs and business leaders often have to say about HR, let's explore the reasons why they may have these opinions.

Why CEOs Feel What They Do about HR

I would hazard a guess that a CEO's perception of HR today is heavily impacted by the function's previous primary roles and past history. HR or "personnel" departments in the earlier days of industrial development occupied a nether world between the holders of capital, the business leaders, and those who exerted labor for wages. Early in its existence the HR profession was in the business of people, not the business of business. Unfortunately, as we discussed earlier, that nether world continues to be inhabited by many HR professionals today. This is regarded unfavorably by many CEOs and is probably reflected in their survey responses.

Over the years, HR has not helped itself with the "flavor of the month" quality prompted by the various name changes that have occurred—Personnel, Employee Relations, Human Resources, Human Capital, Talent Development, the People Department, and so on. Another unpleasant observation that must be confronted is it has been assumed that "the best and the brightest" business talents don't go into HR. They usually have more appealing, and lucrative, prospects. A CEO has probably had a considerable number of HR interactions while coming up through the ranks. If, in the process, the CEO did not encounter someone in HR considered an equal in drive, business acumen, and ambition it is likely that the negative perception of HR would persist many years later. It will become the lens through which HR of the present will be seen by the CEO.

The perception that HR is primarily the bureaucratic police department of an organization has been difficult to change. It is possible that this is the perception a rising young star had of HR as a result of an early encounter in their career. This perception is another that may be likely to persist many years later. It is a much less frequent occurrence today but years ago it was relatively common that a line executive who had to be moved aside was placed in a senior HR position. The presumed wisdom accompanying such a move was that the executive who was not performing up to par in the real business position was not likely to do any harm by being shunted over to HR. HR as a dumping ground is a reputation that has dogged the function for years.

Understanding CEOs' motives

Because the CEO and HR relationship is so pivotal to earning and keeping a seat at the table anyone who aspires to that position should take the time to briefly review the observations that can be made about the motives of most CEOs and what drives them. This may also help explain why many CEOs have their current opinion of HR.

It was not that long ago that many CEOs looked as if they have been made from the same mold. Things have now changed and CEOs are now slowly starting to come in various shapes, sizes, colors, and sexes. Yet despite the variation that exists in their outwardly visible aspects, most successful CEOs have certain inner drives and motives in common. We know it is not possible ever to know precisely what goes on in the mind of another individual, including those who make a living as CEO of an organization. However, it is possible to make some broad general observations about the motivational drivers and personality traits shared by individuals who occupy the top position in an organization. We are able to do this because of research and surveys about business conducted over a number of years.

Achievement, affiliation, and power

My earliest exposure to theories on the motivation and personality traits of CEOs and other top executives was during my days with a large multinational oil company, when we hired a consulting firm that drew heavily on the motivation theory work of the famed psychologist David McClelland.[6] During the course of working with us on leadership development, the consulting firm explained that it was possible to plot the profile of successful business executives along three major personality drivers: Achievement (ACH); Affiliation (AFF); and Power (PWR). The consulting firm walked those of us with minimal psychology backgrounds through the method used to determine the relationship of these drivers within the person being evaluated.

The method involved using something that at the time I had never heard of—a thematic apperception test. I took the test to see for myself what it was like. I was given a series of pictures or vignettes to review and had a limited amount of time to write down a story about what I saw in the pictures based on my understanding of what I thought was going on in each one. My stories about each of the vignettes were sent to a trained psychologist, who interpreted my responses and determined the relative strength of the three motivation drivers mentioned earlier. According to our consultants, this process had been performed over a number of years with different successful executives enabling a pattern or typical profile to be developed.

A conversation with Dr. Carl Harshman

During my time as an energy company executive, I had the good fortune to work and become friends with an excellent consultant, Carl Harshman, PhD. Dr Harshman, is a former businessman, not-for-profit executive, and college dean. He is the founder of Carl L. Harshman & Associates, an organizational and leadership development consulting firm and the Institute for Work Attitude & Motivation. Dr. Harshman has been consulting to business, not-for-profit, government, and education organizations for over 30 years. As part of my research for this book, I had a conversation with Carl to test my personal theories about why many HR professionals have had difficulty earning a place in the C–Suite. I'll share what he had to say in other sections of this book but here's part of what he said when I asked, **Why don't (most) senior HR professionals have "a seat at the executive table?"**

There are several reasons. Let's look at the big picture. Here, I think one of the major variables is the nature of systems:

In a systems view, classic HR would be classified as a "maintenance subsystem." At the core of systems is the production subsystem, which tends to get priority. Then, some corporations such as Ford Motor in the 60s and 70s suboptimized systems such as finance, which means they were elevated well above their real value in the system. Add to this the fact that most corporate executives are rewarded on the basis of (short-term) financial outcomes and you define to what they pay attention. ("What gets measured is what gets done.")

Per our consultants, the most successful senior executive has a profile that when the ACH, AFF, and PWR drivers are plotted looks like the letter "V." In other words, these executives scored very high on the need for achievement, somewhat low on the need for affiliation, and very high on the power drive. We were told that a high achievement drive often shows up in the hobbies and interests that CEOs engage in during their free time. That's probably why so many of them feel a need to climb Everest, or sail in the America's Cup, or become a very low handicap golfer. Over the years, continued observation of the profiles of those who successfully make it to the top of organizations has given a validation of sorts to this theory.

More often than not, the CEO of a major company has attended a very competitive school at the undergraduate or graduate level and has usually achieved academic success there. These are usually people who like to get things done and want to be recognized and acknowledged for what they do and accomplish. The ranks of modern day CEOs are overwhelmingly represented by individuals who come from the engineering, finance, and technology fields. These individuals often have a disdain for anything that is not considered scientific or technical. Unfortunately, this is often the view held of HR. "Touchy feely" is the sobriquet used by many to describe the work of HR. The use of psychometrics and other tools related to psychology contribute to the perception that it is hard to deal with HR in a concrete fashion.

Improving the Odds of Earning a Seat in the C-Suite

Unfortunately, the toughest audience that most senior HR professionals could ever face is often the one they must deal with on a regular basis if they are ever to earn and keep a seat at the table—the CEO of a modern company. HR professionals who already have a seat at the executive table in the C-Suite know this. In my experience, the most successful CEOs are constantly challenging themselves to be better leaders of their organizations and to accomplish more. CEOs who are challenging themselves are also constantly evaluating those assembled around them in the C-Suite.

Yes, CEOs have an increased understanding and sensitivity to the role that human resources have in the success of the company. Increasingly CEOs ask, how can our organization extract the maximum value and business impact from people—this important resource? However, many CEOs are probably experiencing a form of cognitive dissonance. The new world in which they must lead and be successful is increasingly dependent upon an area that is often headed by individuals for whom they may have some personal good relations. But these personal good relations do not translate into the type of strategic business relationship needed for what lies ahead. The better CEOs intuitively know that the answer to success is locked away in the company's people and that presumably the human resources function has the key. In all too many cases, the CEO is impatiently standing by as the HR professional is fumbling through the dozens of keys on the HR program utility belt trying to find the right one.

The ongoing evaluation process a CEO applies to a senior HR professional will have as an unspoken element in the background the question—is this person a business peer? Does this person understand what I have to accomplish and what I am up against? Can I trust this person's judgment? In a sense, the evaluation process the CEO will use is attempting to give insight into whether or not the person being evaluated could be a CEO. The critical eye that the CEO will cast upon the senior HR professional in some respects is not personal. It's about what is best for the business in the judgment of the CEO. It is through this lens that CEOs have developed over the years that is sharply focused on business that HR is normally evaluated.

It is worth reminding ourselves again of the assessment by Professor Ulrich. Some CEOs are unlikely ever to view HR as a strategic partner or make the effort to leverage the skills and abilities of the HR professional who has capability as a business person. For the majority of CEOs there is the intellectual understanding of what needs to be done but less than a clear mental roadmap on what needs to be done to get there. Some CEOs will be exceedingly uncomfortable with the challenge of dealing with a senior HR person with the new skill set required today. That should not deter HR professionals from taking the steps to improve professionally.

Per Dr Harshman, the difficulty that HR has had in earning a seat at the table can be traced to this simple observation: if CEOs and other senior leaders don't believe in or see any value in what HR brings to the table, it is unlikely that HR will be invited as a full partner. The chapters that follow will give advice intended to help improve the odds of earning a seat at the table and keeping it.

chapter 2

How to Earn a Seat at the Executive Table

In my opinion, a seat at the executive table has come to represent something that can be both physical and at the same time intangible. In other words, "a seat at the table" can mean an actual seat at a table that is usually an impressive piece of furniture in the C-Suite, or the boardroom, where strategic business discussions or decisions about the direction of the enterprise take place. And, "a seat at the table" can also mean the ability to influence and impact those important discussions and decisions. The path to earning a seat at the table will be unique for each individual. Some may find a place in the C-Suite late in their career, others earlier. Regardless of the unique path for an individual, there will likely be similarities in the skill sets of those who make it to the top positions in companies and organizations.

Let's be frank upfront. There is no magic pill that can be taken that will assure a seat at the executive table. And, in the interest of full and honest disclosure there is also no one chapter of any book, including this one, which can guarantee success in this pursuit. This is true for any aspiring executive, including those who think of themselves as HR professionals. What is possible is to review what I believe helped me, and others, reach that level in an organization. It is also possible to share some of the tougher lessons

There is no magic pill that can be taken that will assure a seat at the executive table

I learned along the way and give some personal tips on what to avoid. I'll also share what I wish I had learned a lot earlier.

Make Sure You Know Why You Want a Seat at the Table

Before discussing the journey to the C-Suite and earning a seat at the executive table we should probably start with an important internal exploration and a very basic question—What is your motivation to strive for a position at the highest level of an organization? For some the answer is relatively straightforward—they simply want the additional money, prestige, power, and privilege that come with being a senior executive of a company. Many of us in our work experiences have encountered individuals who were somewhat transparent in showing that their primary professional motivation was money, power, or prestige.

Some individuals with those things as their primary motivators actually make it to the senior level of organizations. Some even become CEOs. Unfortunately, we now have numerous examples of what can happen when the primary motivation of executives appears to be purely money, power, and prestige. We usually read about them in the newspaper or see them on TV following criminal indictment.

If these things are your primary motivation, you probably should think about whether or not you actually want to try to journey to the C-Suite via the HR path. There may be more financially rewarding corporate functions to contemplate as a way to become a senior executive. If money, prestige, power, and privilege are your primary motivators, you may be better off starting your own company, or going into investment banking.

Aim to Be a Business Peer

Granted, CEOs and senior executives are well paid, occupy prestigious positions, and often do enjoy the trappings and privileges that come with money and power. However, for most CEOs and senior executives who are hardworking individuals who behave ethically, something more complicated and performance sustaining is typically what drives them. Most individuals who reach the senior executive levels of an organization have a need to achieve, and a desire to demonstrate the highest levels of personal performance and seek the opportunity to directly impact outcomes. If you are an HR professional who wants to earn a seat at the table and be considered a business peer by your colleagues you will need to have a similar internal motivation and drive.

For many years, HR professionals have complained about not having "a seat at the table." Interestingly, "a seat at the table" has come to represent the holy grail of HR-dom for many HR professionals. I have been in the company of many of my HR colleagues who have acted as if they had a right to be at the executive table and were perplexed by the fact that they were not. What I have seen all too often is an HR centric approach to what is believed the qualification for admission to the C-Suite. Some of the complaints about not having a seat at the table are tinged with what almost seems to be righteous indignation—how can HR not have a seat at the table? People are the most important asset of any company and I as the HR professional know the most about this most important asset. Where is my seat at the table?

Getting to the Top of an Organization

Though few truly are, most companies think of themselves as *meritocracies*. In other words, the organization believes only the most capable—the best and the brightest—rise to the top. However, in my experience, the reality is that individuals usually rise to the top of organizations as a result of a combination of:

- Demonstrated personal capability in a valued and needed set of skills (a set of skills that almost always are above average when compared to those of others)

- The positive opinion, or respect, of others
- The right set of circumstances (sometimes called "luck")

Like everyone else, HR people who aspire to a seat at the executive table need all three of these factors. The other members of the executive suite whom an HR professional may hope to join have normally demonstrated above average performance earlier in their careers in their respective function or business discipline. These executives also demonstrated skills and competencies that set them apart from others and put them on a path leading to senior leadership. For some reason, HR professionals appear to have more difficulty displaying the qualities that will put them on a career path that will lead to being considered for a senior executive position that sets the strategic direction of the company. In many respects, the path to the executive suite via HR is the most difficult route that can be taken. Let's talk about why this is often true.

Observation: A seat at the table is usually earned by those thought to be the best fit to meet the organization's overall leadership needs.

Understand the HR Double Whammy

HR professionals who aspire to a seat in the C-Suite usually have two major impediments working against them. I call this the HR double whammy.

First, in a very large number or organizations, HR still is not valued as strategically important to the business when compared to other functions, such as finance, operations, or marketing. Yes, I know there has been a lot of talk by many about the value and importance of HR. And many business leaders do know they need to know a lot more about HR. However, in my experience there is an equal number of business leaders who often don't want to be bothered with HR at all. In many organizations, there are senior leaders who are content to leave those business processes that deal with people to the specialized HR group, so that others can get on with what it takes to "run the real business."

Many business leaders are content with this existing business inefficiency and are only willing to grant lip service to the need for an HR leader who sits at the table in the C-Suite. Despite the articles and seminars about the critical importance of HR forging a strategic partnership with business, there continues to be a school of thought among some CEOs and senior executives that HR is simply there to do the bidding of the real business people who manage the company and turn in the profits. HR is thought of as a function expected to stay out of the way, not be overly intrusive into the decisions of senior management, and to be on call to help clean up and dispose of those sticky situations when senior management doesn't want to get its hands dirty.

The responsibility for the second part of this double whammy gets laid squarely at the feet of HR professionals. The basic business skill set of many HR professionals is woefully inadequate when compared to other members of the organization in other functions or in the C-Suite. Many HR professionals need to know a lot more about business but instead have established a very cozy personal and professional comfort zone that is firmly planted in the world of HR. Many of these HR professionals don't wish to venture outside of this comfort zone and are lost once they do. The HR function has been cast into a role that results in it being considered part of the business but not really. To me, this is blatantly apparent whenever the phrase "HR supports the business" is used by a CEO or by an HR professional. This mindset represents a very deep hole in which many HR professionals find themselves. Once in there, it is extremely difficult to climb out.

Get out of the HR Business

The frustration that many HR professionals experience as they attempt to reach the C-Suite may be traced to the idea that their professional self-development only needs to revolve around becoming skilled in the various HR disciplines. As we know, there are professional designations that HR professionals may obtain after a series of examinations. These professional designations indicate the individual has accumulated the required knowledge in compensation, benefits, recruiting, organization development, and other critical HR disciplines. These individuals, and others who are skilled in these areas, but may not have the professional designation behind their names, are all very good at the business of HR. However, to earn a seat in the C-Suite more is needed.

During a meeting of executives at a large multinational oil company where I was employed, the CEO asked the audience a simple question—"What business are we in?" The audience was made up of middle level to senior level executives who were eager to respond and show the intimate knowledge of the various business lines the company had as part of the corporate umbrella. After several minutes of nodding appreciatively at the answers politely voiced by the audience, the CEO finally said, "Of course all of you are correct. These are in fact the various business endeavors in which we are currently engaged." The CEO paused and then said, "But if I were to answer the question, my response would be *we are in the business of making sure we are in business* 100 years from now."

HR professionals who want to earn a seat at the table should ask themselves a similar set of questions: What business am I really in? Am I in the *business of business,* or am I in the business of HR? If you answer that you are in the business of HR, you may believe you will earn a seat at the table by making sure that the HR programs at your company are the envy of other companies because they are all best practice and "world class." And, for some HR professionals this has led to a seat at the table. However, for many more HR professionals it has resulted in being viewed by the senior leadership as a specialist in HR who from time to time may be brought in to make a presentation or for consultation on people-related issues. This leads to the ongoing HR complaints about not having a seat at the table.

HR professionals must also address what type of seat they want at the table. Some companies have provided HR a seat at the table and given the title chief human resources officer (CHRO) to an individual who has strong HR capabilities because it is thought to be the right thing to do. Companies that have taken this approach may in fact think of HR as a vital function, but one that "supports the business." This approach perpetuates the mindset of "there is the business, and then there is HR." In some companies, the position of CHRO exists as a result of an internal management thought process that acknowledges the recent writing and pronouncements by academics and consultants about the need for the position and the presumed strategic value it can bring. In many of these instances, HR may still not be given the recognition of a full business peer.

The transition that an HR professional needs to make to gain entry to the C-Suite is possibly complicated by an unfortunate reality at play in business. *HR isn't considered a business function. HR is considered HR.* Even those HR professionals who have been successful in reaching the C-Suite find that the seat they may occupy at the table does not have the same level of influence and impact as the seats occupied by the other senior executives around the table. Very often, HR professionals in an attempt to reach the executive level become best known as implementers, or corporate policemen, or the clean-up individuals to be brought in when things get "messy" from a management viewpoint.

Shrug Off the HR Stereotypes

HR professionals aspiring to a different type of seat at the executive table in the C-suite need to develop a mental toughness that is fundamental to having success in becoming a business peer. In many respects, HR professionals need to initiate a mental transition that is the foundation of a personal transformation. The personal transformation requires mentally shrugging off the business culture triggers and stereotypes long associated with HR.

Unfortunately, the concept that HR is a business function that requires the same level of business acumen and strategic thinking as any other is one that has yet to take hold in many organizations. The HR professional who wants to successfully earn a seat at the executive table as a business peer needs to operate like one. In a way, many organization cultures appear to give "business" people an upper hand. It is still possible today to continue to be considered a business person with considerably less knowledge of human resource management than is really needed.

Nonetheless, HR professionals need to be aware of the existing stereotypes and increase their core knowledge of business. This is a constantly repeated theme about HR's need for improvement. However, the business people who make this pronouncement state much less often that it is time to become a different type of business person, that is, one much more knowledgeable about HR. This approach may continue for some years, but in my opinion it must eventually change. The reality is every business person needs to be skilled in human resource management principles. Someone considered an "HR person," who actually understands and is skilled in business processes, dramatically increases the odds of earning a seat at the executive table.

Some of the larger multinational companies I am familiar with have decided to short circuit the process of having an HR executive at the table that is considered a business peer by assigning business line individuals to oversee the function. Sometimes this is done to give a high potential business executive experience in the function before they assume a larger corporate leadership position. Granted, this is acknowledgment of the importance of HR. But it also reinforces the notion that it is easier to find a line executive who can manage HR than it is to find an HR professional who can manage a line function and move into the top spots of an organization. The HR function has long occupied a netherworld. As a result, many business leaders have never considered the function as populated by people skilled in business.

Observation: To earn a seat at the table, HR professionals must of course, have very strong competence and ability in the HR function. But more importantly, earning a seat requires being viewed by the executive leadership as a business person who does HR, not as an HR person who may know a little about business.

A Roadmap to the C-Suite

As stated earlier, many HR professionals mistakenly think that being the best at HR and performing better than others in the function should guarantee a seat at the table in the C-Suite. However, as we know this strategy has not worked for a large number of HR professionals. In my opinion, the benchmark for an HR professional should be to demonstrate job performance and a business ability that exceeds that of anyone competing to become a member of the C-Suite, not just others in HR. Every CEO and other senior executive who has made it to the C-Suite views it as an open competition and so should HR professionals who want to become true senior executives with an earned seat at the table.

The simplest and easiest way for HR professionals to cultivate the skills needed to earn a seat at the executive table is to look at the competencies that most companies use when determining that an employee has high potential and should be targeted for a position at the senior level. The large, sophisticated companies I have been associated with, as well as others I have benchmarked, usually have a set of five or six competency areas that executives are measured against to determine their upward potential. Each company attempts to come up with what they consider to be the unique competencies needed by the executives in their respective organization. However, in my experience, the key competencies used by most major companies to evaluate who has the potential to reach the senior level are essentially generic and are pretty much the same from company to company.

Remarkably, many HR professionals who are very skilled in assisting senior management in the process of succession planning and rating other executives against the competencies looked for in senior leaders often don't look inward and use the list to rate themselves. If you want to earn a seat at the executive table, here are five of the competencies I believe you need to demonstrate early in your career and continue to exhibit consistently:

- **Vision creation**—The term sounds more ephemeral and difficult than it is in practice. Vision creation is all about the ability to be able to paint mental pictures for other people. Can you help others see what the future will be if certain actions are or are not taken?
- **Leadership**—Do you have the personal characteristics that will result in other people being willing to take direction from you?

- **Business acumen**—Do you understand business in general? Do you know and understand the business of your company?
- **Strategic thinking**—Do you think ahead? Do you challenge the convention wisdom? Do you "connect the dots?"
- **Decision making**—Can you make tough decisions? Do you make decisions in a timely manner?

A Few Words on Decisiveness

There is no question that all of the above competencies are important to develop. The multinational oil company I worked for used the phrase "ability to make tough decisions" when evaluating an employee's potential for executive positions at the highest levels in the organization.

Developing the ability to make tough decisions and be seen as decisive is very important and is often considered one of the hallmarks of a strong business person. I regret not having been better at decision making and being decisive earlier in my career. I suspect there are other HR professionals who, like me, have felt that as "staff" it was our job to provide line managers with what we considered to be all the alternative courses of actions that they may take as the decision makers in the business. In retrospect, this was a mistake.

I learned to be more decisive after a particularly unpleasant one-on-one session with the CEO I reported to during one of my assignments in Europe. It was my first assignment as a senior HR professional reporting to the head of a business. In my eagerness to do what I thought would please the boss, I had laid out on a spreadsheet all the courses of action we could take on a particular HR problem we needed to address. The CEO studied the spreadsheet with the four or five action options I had outlined, looked at me somewhat icily and asked, "OK, what is it you recommend we do?" I then made the mistake of dancing around his direct question, saying we could do option one or then again we might want to take a hard look at option three, but then again option two shouldn't be ruled out. The CEO said nothing as I bounced from one option to another while never giving a recommendation. It was too late when I finally noticed that the CEO's face had become increasingly redder and he was obviously holding back his anger. Finally, the CEO's hand slammed the desk. Eventually the CEO calmed down and said to me,

> Look, I won't do anything on this problem until you give me your decision. And you know what? At this stage, I don't care if what you decide to recommend turns out to be right or wrong. If it's wrong we'll figure a way to correct things and then try another approach. But as long as you sit there, without making a decision, we are in the worst possible position—inaction. Now make a decision.

Though the encounter was unpleasant at the time, I actually look back on it as pivotal in my professional business development. In many respects it was a transformative event for me. Naturally, I never went into the CEO's office again without having a made a decision on what I thought we should do on an issue and why I felt it was the best course of action. At this point, some readers will say to themselves that all good subordinates should know not to go into the boss without a recommendation. That is true. However, in my case the transformation was that I decided that I had to be a decision maker, even if I might be overruled. I have tried to keep in the front of my mind the importance of decisiveness that I learned in that tough lesson many years ago. Over the years, I've tried to help others who have been peers or subordinates develop this important competency.

Understand What an MBA Knows

Let me be clear. I am not proposing that every HR professional who aspires to a seat at the table in the C-Suite should obtain a master of business administration (MBA) degree. Some HR professionals, of course, may already have one. Others may be pursuing the degree full or part-time. For others, personal and professional circumstances may prevent them ever being able to formally pursue the degree.

However, if you want to earn a seat at the executive table in the C-Suite, you have to be willing to make the investment of time and energy in self-directed learning to develop the mindset and skills generally associated with possession of the degree. An HR professional who plans on having a career that involves operating in the C-Suite and the boardroom as a business peer should strive to have a personal business skill set equal to that of a holder of the MBA degree in certain key business areas.

> **Observation:** To earn a seat at the executive table you don't have to be an MBA but you have to demonstrate that you can think and make decisions like one.

Learn All You Can about Business Strategy

We often hear the term "strategic partner" used when describing the relationship that HR should form with the leaders of the business. In the minds of some, this gives the impression that HR is a separate but equal actor focused on people issues and processes that partners with the business leaders. My personal philosophy is *it is all one game of business* and you should be as good at all aspects of business as the other executive players. Knowing and understanding the principles and concepts of business strategy is a key skill to have.

Knowing and understanding the principles and concepts of business strategy is a key skill to have

It is difficult to imagine that someone would earn a seat at the executive table who did not have an understanding of how globalization, competition, or emerging technologies was impacting a business. Self-study for the HR professional who needs to know more about business strategy can begin with Michael Porter's book published in 1980, entitled *Competitive Strategy*.[1]

Strategy has several different meanings to different people. There is a long-standing debate about the extent to which tactics are often inaccurately described as strategy. I believe this is what happens on many occasions when HR professionals use the term "HR strategy." I have found that what is often contained in HR strategy documents could be more accurately described as a series of tactics. Earning a seat at the table is less about HR strategy, or tactics, but more about the ability to debate the pros and cons of the enterprise business strategy, including the people aspects, as well as any other member of the C-Suite, if not better. HR's increased involvement in business strategy should be a "no brainer." Strategy is of little, if any, value if it is not executed and done so properly. Furthermore, the execution of any strategy only takes place by means of the people of an organization.

> **Observation:** Earning a seat at the table means discarding the mindset that there is the business strategy and an HR strategy to support it. There should only be one strategy—the business strategy that recognizes and states the HR aspects needed for success.

Learn to Wrestle with Numbers

Generally, most articles and books about the importance of accounting and finance start by reminding us that a large part of the "language of business" is numbers. While this may appear to be restating the obvious, earning a seat in the C-Suite requires fluency in the language of business. In business, the numbers are generated by accounting and finance processes and procedures. If you are an HR professional and want to have credibility with your colleagues in the C-Suite, you must have sufficient financial knowledge to let you comfortably participate in discussions about the numbers of the business. If you do not, you will be relegated to the sidelines regardless of how brilliant you may think your "business aligned HR strategies" are.

I directly attribute the success that I had on my way to the C-Suite to time I spent in financial services early in my career. It is difficult to convey how important being comfortable with numbers is when it comes to occupying a position in the C-Suite. Whether we like it or not, virtually all of the measures of success by senior executives in profit-making organizations are based on numbers such as profit, company growth, and investment returns for shareholders. Fortunately, the general skill level of HR professionals with numbers has probably improved greatly over the years but still needs attention.

I now find it hard to believe that when I began my career, I performed most numerical computations by hand or with the aid of a slide rule. As a young financial services consultant on Wall Street, I remember that one of the senior partners would volunteer to bring us number crunchers one of the new contraptions developed by a client after a visit to their plant location. At the time, it was a little known company based in Texas named Texas Instruments. All of us are now fortunate to have personal computers and other devices with numerical computing power that is greater than that of the machines used to put a man on the moon. This makes it a lot easier for everyone, including HR professionals, to wrestle with numbers. The ability and willingness to wrestle with numbers is critical to being viewed as a business person and earning a seat at the executive table in the C-Suite. And, with the computing power that is at our fingertips, there really is no excuse not to do so.

Understand Accounting Principles

A good grasp of the financial aspects of business, that is, understanding accounting principles, understanding financial statements and accounting reports, and understanding modern accounting and control theory, is fundamental to earning a seat at the executive table in the C-Suite of an organization.

I was fortunate early in my career to have had experiences that increased my knowledge of basic accounting and finance. My first job was in personnel, as it was called in those days, at the university I had attended as a student athlete. Shortly after starting work, I realized I needed a better knowledge of basic business accounting. I had the title "employment manager," with duties that included supervising the benefits and payroll section of the personnel department. It became clear to me that the persons I "supervised" were performing detailed accounting and finance tasks. Shortly, it also became very clear to me—and them—that I had no clue how to answer some of their debit and credit type questions.

Fortunately, the university offered employees tuition free attendance at evening courses as part of the employee benefit package. I found myself back in school a few weeks after my graduation from university, enrolled in an introductory accounting course taught by a grizzled retired accountant, who showed no mercy to those of us who, in his opinion, had very mistakenly thought we could somehow get through life without a good knowledge of accounting.

Many decades later, I sometimes found myself drawing on the basic accounting knowledge I gained in that course. My decision to enroll in that accounting course literally weeks after I began my career helped me tremendously and came in handy on many occasions on my path to the C-Suite. There is a basic piece of advice to all this—if you plan to earn a seat in the C-Suite as a senior HR professional, learn as much as you can about accounting and finance as early as you are able.

Practical Reasons for Accounting and Finance Knowledge

There are several practical reasons for making sure you have a level of accounting and finance knowledge in your professional toolkit. If you are fortunate enough to earn a seat at the executive table in the C-Suite, as one of the top officers of a publicly traded company, you may be required to sign off on the financial representations made to the public and other stakeholders about the company's performance. This may be part of the company's internal control procedures and may also be required by government regulations. In the United States, publicly traded companies are required to provide financial reporting of this type on a quarterly basis. If you are a member of the C-Suite, you will want to be able to critically judge the accuracy of the information contained in those representations. Unfortunately, there are a fair number of cases in recent history that illustrate a willingness by some CEOs and other top company officials to develop inaccurate accounting and financial statements to mislead shareholders, employees, regulators, and other key stakeholders. Public and regulatory scrutiny in the area of financial reporting has increased dramatically. Making sure you have the personal capability to understand the financial statements of your company is a basic requirement for any senior HR professional hoping to earn a place in the C-Suite.

Learn Other Key Financial Concepts

There are key financial concepts that particularly important to know to understand many of business discussions in the C-Suite. This is by no means an exhaustive list but there is a very good chance that most business discussions in the C-Suite may involve one or more of these financial concepts:

- *Time value of money*
- *Probability*
- *Compound interest*
- *Present value*
- *Discounted cash flow (DCF)*
- *Return on investment (ROI)*
- *Risk/reward.*

Tip: If you aren't a financial wizard don't despair. Buy an HP 23 calculator (the one used by most financial professionals) and learn to operate it. The owner's manual alone is a financial and business tutorial worth the cost of the calculator many times over.

Understand and Employ the Basics of Branding

Earlier in this chapter, I stated that the positive opinion or respect of others was a key element in earning a seat in the C-Suite. This positive opinion, or respect, is part of your personal brand. The HR professional who hopes to earn a seat at the table needs to have a personal brand that increases the likelihood of being viewed positively by the CEO and other members of the C-Suite. Whether we think in these terms or not, we all have a personal brand. Actually, the reason that so many HR professionals do not have a seat at the table could be attributed, in part, to the brand problem of the function.

Advice on HR Branding

I asked a good friend and colleague Carl Harshman, PhD, for his thoughts about earning a seat at the table. Dr. Harshman is a former businessman, not-for-profit executive, and college dean. He is the founder of Carl L. Harshman & Associates, an organizational and leadership development consulting firm and the Institute for Work Attitude & Motivation. Dr. Harshman has been consulting to business, not-for-profit, government, and education organizations for more than 30 years. In the process, he has worked with and coached a large number of HR professionals. Here's what he had to say on HR branding and how to earn a seat at the table:[2]

"First, I believe that the HR Professional needs a marketing mentality. HR has to market and sell.

What does that involve?

1. First, consider the 'branding' of human resources. To begin, you determine how HR is viewed by the current senior team; that is, you pose and answer the question: What is the current brand? The alignment or misalignment between your desired vision/role of HR and theirs defines the extent to which you will have to work on as well as the nature of the work with your HR brand.
2. You get to the table by bringing something the executive team needs and can't get with existing members or processes. Now you're doing "market research." In doing the research, sometimes you are a psychologist (devising questions, gathering and analyzing data on an individual basis); sometimes a sociologist (watching the content and dynamics of the group); and sometimes an anthropologist (indwelling with the

"culture" of senior leadership to understand their basic assumptions, values, accepted behaviors, and rituals). The premise is that if you can fulfill an unmet need, it gives the senior team a reason to give you a seat at the table.

3. You have to "sell" the HR function—not just once, but on an ongoing basis. The most effective HR Professionals will be good sales people. You have to be able to connect your "product/service" to their "need."
4. Last, but not least, you have to deliver on the promise. That is, if you are being considered for or have a seat at the table, you get or maintain the seat by (a) providing a valuable service to the team and (b) delivering high quality products or services."

Make Sure You Have a Personal Brand

The HR professional who wants to earn a seat at the table needs a personal brand that provides one of the basic benefits of branding—*differentiation*. Though this may sound like I am castigating all of HR, earning a seat at the table often requires that the CEO and the other executives think of you as different from the rest of the HR professionals they have encountered. Here are some attributes that can contribute positively to your personal brand:

- **Deliver on time**—One of the things I learned on my way to earning a seat at the executive table is that, like decisiveness, certain other attributes can contribute to your personal brand. I had to learn that it is more important to deliver what is expected of you on time even if it is not perfect, as long as it is high quality. Attempting to be perfect in some processes means that valuable time may be wasted.
- **Don't dither**—If you supervise others, recognizing when you have enough to make a decision even if it what you are given isn't 100 percent of what you want, will help you become and be seen as someone willing to take reasonable risks and rely on others to get things done. I am not advocating sloppy work. Sloppy work with glaring mistakes will rarely get you noticed in a positive way. But displaying a bias for action even though every small detail of an issue may not be locked down is likely to contribute positively to your personal brand.

- **Be flexible**—A bias for action coupled with personal flexibility and a reputation for willingness to take on tough assignments and to do them well will often result in positive visibility. This in turn will help reach the goal of earning a seat in the executive suite.
- **Learn to "read" others**—In recent years, much has been written about executives having emotional intelligence. Though there are critics who question the concept's validity, I believe an executive's personal brand is enhanced if they are viewed as someone who has emotional intelligence. In other words, the executive has the ability to understand what may the underlying motivators and drivers for others even if these items aren't clearly visible or spoken.

Understand the Personal Attributes that Can Work Against You

Although it is important to know the attributes that are looked for in senior executives, it is equally important to know the attributes that can work against someone being able to earn a seat in the C-Suite.

In various organizations there are employees who at one time may have been considered high potential and apparently destined for a place in the C-Suite. Many of these high flyers were brought down by attributes that halted their journey to the C-Suite. These negative attributes are often referred to as "career derailers." Executive coaches David Dotlich and Peter Cairo outline 11 career derailers in their book, *Why CEOs Fail*.[3] Senior HR professionals (and anyone else who wants to earn a place in the C-Suite) should work hard to avoid negative attributes or correct them if they have somehow worked their way into your professional behavior. Though Dotlich and Cairo outline 11 career derailers, there are seven that I have seen that can be particularly damaging:

- A reputation for being interested in pleasing only the boss or others in power
- Disregard for peers and subordinates
- Turf protection

- Over confidence (arrogance)
- Micro-management of subordinates
- Risk aversion
- Anger, volatility.

Get Comfortable with Change

The ability to deal with change is a quality that will be of value to anyone who hopes to earn a seat in the C-Suite. Business leaders are continually reminded that the one probable constant in any organization is change. Demonstrating the ability not only to deal with change but also to function effectively in the midst of it is a quality that can set an HR professional apart from others. The ability to cope personally with and leverage change in a positive way is a life skill that even the most successful executives do not always master. In my opinion, an HR professional who hopes to operate at the highest level in an organization has to be able to help others, especially the CEO and other senior executives, to understand the critical concepts of change and their likely business impact. Before being able to help others, the HR professional first has to deal effectively and in a controlled way with personal emotions that may surface. This requires acknowledging that we all are affected by change. I have always been skeptical of anyone who says that change does not affect them. I have always felt such individuals are not being honest with themselves or with others. Change affects everyone. How you react to change and how you help others react to change is an important measure of an HR professional in the C-Suite.

Know Your Personal Psychological Profile

It is critically important to know the personal filters through which you process information and your preferred style of learning. In other words, to know what makes you tick. There are a number of psychometric tools such as Meyers Briggs[4] and others that can be helpful as a starting point in gaining this insight. None of these tools are perfect and all are subject to criticism, but I wish I had known more about my personal psychological profile much earlier in my career. It makes a lot of sense to be able to take into account what you know about yourself when dealing with a difficult situation that has arisen at work or with family or friends. Knowing what are your "hot buttons" or emotional triggers and the best way to manage and cope with them is of tremendous value to all of us, and especially individuals who hope to make it to the top of an organization. Depending upon the sophistication of the profile instrument, areas of probable job strength or weakness will likely be identified. It is much better to identify and continue to develop personal strengths and work on identified weaknesses on your way to a C-Suite position.

Personal development should be a very high priority as you continue your journey toward a C-Suite position. Knowing as much as you can about your personal make up as soon as you can is an important step. It took me a number of years to learn there is no right or wrong when it comes to what your personality type may be. Executives who know themselves are able to leverage more effectively their strengths and manage the less desirable aspects of their makeup.

Find a Coach

The importance of establishing a relationship with a coach should not be overlooked. Coaching should be an ongoing part of the professional life of anyone who aspires to the senior levels of an organization. (In a later chapter of this book, we discuss coaching the CEO and other senior executives.) While I believe sports analogies are often overworked when it comes to business there is some applicability when it comes to coaching and business performance. Virtually all world-class athletes have coaches who are able to observe and comment on the athlete's technique and what can help improve their performance. The same holds true in the business setting for virtually all executives, including those in HR.

At one time, the term "coaching" was often code for the need for remedial performance improvement discussions or exercises. Coaching may still and should be used for this purpose when needed. But over the years, companies and individual employees have realized that coaching can also be of tremendous benefit to employees who perform at a fully acceptable level. Employees who want to become even better performers and improve their opportunities for advancement can benefit from coaching. If you are fortunate enough to work for a company that has embraced the culture of coaching take advantage of what is offered. If you do not qualify for the formal coaching that may exist, or your company does not make coaching available, seek someone in your organization who you believe may be able to serve as an effective sounding board. Many times an executive in another function with whom you are able to establish a rapport may be willing to coach you on an informal basis.

Invest in Continuous Learning

In many respects, the advice given in this chapter has been about the importance of continuous learning. I strongly believe continuous learning has to be an element of the personal toolkit of someone interested in advancing to the senior executive ranks of an organization. This requires a mental attitude that reflects the belief that there is something to be learned from virtually all experiences, personal and professional, painful and pleasant. The learning may often come from unexpected sources or from individuals that others may ignore because they are not thought of as having anything worthwhile to impart. HR professionals and others who want to earn a seat at the table know better.

chapter 3

You Have a Seat at the Table—Now What?

Congratulations. You occupy a seat at the executive table in the C-Suite.

A promotion to a position in the C-Suite normally brings with it many highly visible and tangible benefits. Usually, you receive a substantial increase in your salary and possibly a bonus. There may be a generous grant of stock options that will enable you to buy the bigger house, or vacation house, or more easily pay the outrageous tuition charged by the private school your child will attend. Your office will probably be larger and the carpet is likely to be plusher, the furnishings more lavish, the meals and snacks served in your executive team and board meetings more delectable. There's no question that occupying an office in the C-Suite can be a heady experience.

Unfortunately for some, the material benefits associated with a place in the C-Suite may obscure the overriding responsibility that goes with having a seat at the executive table of an enterprise. All executives in the C-Suite share the responsibility of stewardship of the organization, regardless of how lavish or sparse the trappings of power may be. Working in enjoyable surroundings makes it is easy for some executives to become closeted and operate as if the C-Suite is the real world. Making sure that the members of the C-Suite stay connected to the rest of the organization is one of the challenges that may face a senior HR professional.

This chapter will share some observations about the other challenges and issues the senior HR professional may face after earning a seat at the executive table and how to add value while meeting them.

Understand That You Now Lead Two Business Lives

The critical mental transition many HR professionals must make after earning a seat at the executive table is to understand that, in effect, they now have two business lives. One life is centered on the role of senior HR professional, someone skilled in the specifics of managing the HR function in an organization. The other life, and frankly the one that can be more challenging, is the life of an executive officer of a company. As someone who had been in charge of the HR function in large organizations previously, I understood and was familiar with the sense of responsibility that comes with that role. However, I found that once I became a member of the C-Suite and was required to help lead and manage a publicly traded company, my sense of professional responsibility increased dramatically.

In my case, it took me a little while to understand that having a seat at the executive table and being a member of the C-Suite of a publicly traded company was different than other roles I had held before. As a member of the C-Suite, you become part of a group that is collectively accountable, first and foremost, for the strategic direction and overall success of the enterprise regardless of your individual job title or area of functional responsibility. Effectively contributing to the C-Suite's business discussions, strategic planning efforts, and corporate governance processes now becomes your most important role. Managing the transition from a skilled specialist to a strategically oriented senior executive who understands, embraces, and tackles this larger and much more difficult business role is where many senior HR professionals have received less than glowing assessments from their CEOs and their peers.

If you are provided the opportunity to have a seat and a voice at the executive table, you'll be expected to deal with a broad range of general management issues concerning the stewardship of the enterprise, in addition to managing your functional responsibilities for HR. As a member of the C-Suite, the issues that confront you might range from how the company is faring in capital and debt markets, to relations with political bodies and government agencies, to problems with the introduction of a new product or manufacturing technology.

Help Set a New Attitude about HR

The HR professional who becomes a member of the C-Suite needs to demonstrate knowledge about the business as quickly as possible. Ideally, this knowledge about the business has been gained before arriving in the C-Suite. It is equally important that the HR professional with a seat at the table in the C-Suite helps the other members of the executive team gain a better understanding of the key human resource management processes. Senior executives should know and properly execute these processes to be effective stewards of the business. By assuming a role that is part consultant, part educator, and part facilitator, the senior HR professional in the C-Suite can and should help the executive team adopt a new attitude about HR.

The HR professional who becomes a member of the C-Suite needs to demonstrate knowledge about the business as quickly as possible

One of the greatest challenges facing modern organizations is breaking with the outmoded concept of the role of HR. Granted, progress has been made in recent years by some senior HR professionals in gaining the coveted "seat at the table." Many CEOs and CHROs now proudly point to the new found status of HR. The close linkage and alignment between the HR strategy and the business strategy are often highlighted. I consider this a continued reflection of an outmoded form of thinking about business and the role of HR.

The continued use of the term "HR strategy" helps perpetuate the subliminal idea that the HR function and the true operation of the business are separate. Somehow, unlike manufacturing strategies, or marketing strategies, or financial strategies, which easily fit under the umbrella of business strategies, HR strategies seem to continue to occupy a space of their own. It is as if there is something called "the business" that exists as an entity that is separate and distinct from the people of an organization. In reality, there is only the business. It does not exist without people who ultimately are performing everything, including minding the computers.

The "there's the business and then there's HR" attitude contributes heavily to the current situation in which we have so called business leaders who know a lot less than they should about basic human resource management business processes and human resource professionals who know a lot less than they should about business. The role of the senior HR professional, and for that matter any other member of the C-Suite, is not only to be able to deliver what is expected from their particular functional area to help the business reach its goals and objectives but to also be able to think beyond the boundaries of their functional area to determine what needs to be done to provide effective overall stewardship of the people in the business.

Unfortunately, there are some CEOs and senior executives who don't like people. These executives believe that having to deal with people distracts from what they consider the real job of running a company. This means the senior HR professional has to help the CEO and other senior executives move out of their comfort zones of finance, marketing, or manufacturing and deal with the "messiness" of people who while integral to the enterprise do get upset, cry, get divorced, have babies, get sick, and the like.

Make Sure the HR Laundry Gets Out

As a member of the C-Suite, you will be subject to scrutiny. The CEO, your fellow executive team members, employees in the organization, and the board will all make their own assessments of your performance based on their expectations of HR. In my experience, the best way to survive and thrive under this type of scrutiny is to make sure that you demonstrate that your primary focus as a member of the C-Suite is to help set the strategic direction of the enterprise and to see that it is effectively governed.

The senior HR professional with a seat in the C-Suite can effectively operate in this unique strategic role only if the basic operations of the HR function are performed efficiently and effectively. The business leadership value provided by the senior HR professional in the C-Suite can all be wiped out very quickly if a basic HR process or function isn't provided as it should be. One of my British colleagues in HR years ago coined the phrase "getting the laundry out" to stand for the need to manage the basic HR operations effectively. The phrase has stuck with me over the years.

Getting the laundry out means all the HR processes are performed as they should be. Without that, the senior HR professional will have little credibility with the other members of the C-Suite. If these executives see problems in the basic operations of HR they are unlikely to listen to anything you may have to say that may actually be a high value strategic contribution. Please believe me when I say nothing can ruin your day more quickly as the senior HR professional in the C-Suite than being told by the CEO or another senior executive of a mistake HR has made in the executive's pay, or vacation entitlement, or something similar.

Prepare for the Rough and Tumble of Executive Team Meetings

In most companies, the top executives meet regularly to discuss business performance and other important issues. This is usually the forum in which business strategies are initially discussed and hammered out. These senior management team meetings are also used to prepare for meetings with the board. Every management team will have its own routine as far as how often it meets and what's covered in the meeting. Not participating in these executive team meetings is what often leads to complaints by HR about not having "a seat at the table."

Executive team meetings can often be the venue for behavior that may border on the theatrical. Over the years, I've seen executive team members of the C-Suite display incredible wit, intelligence, ignorance, racism, sexism, anger, and humor in these meetings. There have been occasions when this was all displayed by one person in one meeting. While laws protecting members of organizations from overt harassment and abuse have gotten a lot tougher in recent years, the C-Suite and top level executive team meetings are no places for the faint-hearted.

It is very important, though, that the team not let the demonstrations of personality traits, whether admirable or deplorable, detract from the ongoing process of bringing the team's collective wisdom to the table to set strategic direction, solve problems, and govern the enterprise effectively. Like it or not, the CEO and the executive team members will often expect the HR professional to help keep executive team meetings from becoming "killing ground."

Executive Team Meeting Tips

While it may sound rudimentary, I have found that one of the best ways to avoid executive team discussions going awry is to write down the three or four points or issues that you feel the need to be covered and have that available to distribute at the meeting. Interestingly, some of my most bruising experiences have been those instances where the executive team meeting culture was less formal and I've gone into discussions without something as simple as the three or four bullet points I wanted to discuss on one page.

On those occasions when I have spoken extemporaneously, in other words, without those important three or four bullet points on a single sheet of paper that I could quickly distribute, I have found myself in deep difficulty as the other members of the team usually went off on tangents during my commentary. On the other hand, whenever I have been sure to have a short hardcopy bullet list the discussion had a different dynamic. Though one of the executives might still have gone off on a tangent, it was much easier to get things on track. The "goal completion" aspect of the group's character kicked in, enabling us to get through the items, whether contentious or not, because what we needed to cover was in front of us in black and white.

A valuable role that the senior HR professional can play in executive team meetings is as facilitator and integrator of the discussions. Therefore, where you choose to sit at executive team meetings is also important. We know from effective communications 101 that it is important to scan the audience to know the reaction to what's being presented. At executive team meetings, I would try to sit in a location where I could see the facial expressions and body language of all my colleagues around the table. I usually avoided sitting at the immediate left or right of the CEO or directly opposite at the other end of the table. Each member of the executive team, including you, will often give signals of their reaction to the item under discussion that may come in handy to know as the meeting progresses. Later in this book we discuss coaching the CEO and other members of the executive team. Often the focus of the coaching will be the result of items raised at the executive team meetings or events at these meetings the senior HR professional may have observed.

If You Have a Voice, Use It

Executive team meetings are where the senior HR professional will need to demonstrate business acumen. Transitioning to the C-Suite can be difficult for any executive. However, the transition can be especially difficult if the executive's prior exposure to developing broad business strategies and helping run a business has been limited, as is sometimes the case with many HR professionals. I was fortunate to have had this type of business exposure during my various overseas assignments at the large multinational oil companies where I had previously worked. Instead, my transition to a fully functioning member of the C-Suite was somewhat slowed down by my reluctance to voice my opinion about business issues under discussion.

During my initial days in the C-Suite of my last employer, I displayed a tendency to not engage with other members of the team and debate business issues under discussion. The company was faced with some difficult decisions and needed the input of everyone around the table.

Frankly, on occasions, I was guilty of falling prey to the "this discussion is about the business not HR" mindset. During one of these difficult business discussions one of the other members of the executive team noticed that I had not said anything. My colleague asked me directly if I had ever encountered the business problem we were discussing. I had been part of an executive team that had encountered a situation that was similar. I shared what I remembered about the approach the other executive team took. It was the first of many subsequent occasions when I expressed my business voice around that executive table.

Looking back, not actively engaging in the business discussions of the executive team from the very beginning was a big mistake. It is a mistake that I hope other HR professionals in similar circumstances in the C-Suite will not make. One of the informal but important roles the senior HR person can fill is as the devil's advocate, questioning the assumed logic associated with business issues under discussion. However, a good understanding of the business is needed to play this role effectively.

One of the informal but important roles the senior HR person can fill is as the devil's advocate

People Processes Are Business Processes

Unfortunately, HR issues can often serve as a lightning rod in executive team discussions. HR is likely to be an area where the CEO and each one of your fellow executive team members feels they are an expert although, as I indicated earlier, most still have a lot more to learn. When a senior HR professional is a member of the executive suite, my belief is that an important part of your job is to help the other executives become more expert in human resource management. In my opinion, your goal for the executive team should be an effective transfer of the HR knowledge you may have acquired over the years.

Your ability to effectively engage the team in business grounded debates about any people processes you may recommend is critically important in establishing your credibility as an equal member of the team. One of the knife edges I learned to walk as the senior HR professional in the C-Suite was making sure that critically important people related processes were implemented and executed in the respective functions of my colleagues even when there was disagreement in the team about whether or not the processes were needed. You must help the CEO and your fellow executive team members understand that, while you may be the most knowledgeable person in the room regarding the technical aspects of HR, the people process in question is really the entire team's responsibility. Breaking down the attitude exhibited by some executives that "here's another thing HR is imposing on how I run the business" can be an ongoing challenge for the senior HR professional who has earned a place in the C-Suite.

During my tenure as head of HR for the operations of a large multinational oil company in the Benelux, I was expected to implement locally the corporate wide goal of pay for performance. While pay for performance is pretty much an accepted concept globally now, at the time it was relatively new and went against many of the closely held social conventions in Holland. At the time, the Dutch took pride in not singling anyone out for a reward significantly above that given to others in a particular group. The management team was made up of fellow expatriates from other European countries. They understood that introducing a program designed to dramatically increase differentiation of pay was going to be a difficult and disruptive change for the Dutch organization. This quickly became something my colleagues characterized as something HR was doing.

After weeks of pretty intense discussions and sometimes unpleasant remarks directed at me as the head of HR, I reached a turning point. I decided to make sure the executive team understood the importance of pay for performance as a business process. It should not have been thought of as something that was being imposed by HR. When it was my turn to speak at one of the executive team meetings, I raised the subject of pay for performance and again met resistance. I turned to the CEO and said,

> We can't continue to drag our feet on this issue. I realize I'm here as an expatriate, so feel free to send me home and I will go find another job. But

> every member of this team needs to understand that when I'm gone the need to implement pay for performance will still be here and somebody else around this table will need to make sure it is done. Otherwise, this business will not operate as effectively and profitably as it should, which will mean some of you will therefore also be leaving the table after me.

There was a moment of uncomfortable silence. However, the CEO led efforts to change the tone of the meeting after my little speech. We eventually started earnest discussions about the steps needed to implement pay for performance.

As an HR professional in the C-Suite, you may also need to confront your executive team in a way that effectively reinforces the concept that people processes are business processes.

Areas Where the HR Professional can Add Real Value in the C-Suite

One of the more valuable roles that the HR professional can perform in the C-Suite is to serve as a management consultant who understands the business and is able to take an objective approach to problem solving. In my experience, there are at least five areas in which the senior HR professional in the C-Suite can add real strategic value:

- *Executive team effectiveness*
- *Business strategy formulation and implementation*
- *Organization change management*
- *Senior leadership development and succession planning*
- *Board interaction effectiveness.*

Depending upon the particular business circumstances confronting the executive team any one of the five areas could appear to have a greater urgency and a more pressing need for attention. Or, there is the possibility that all five of the areas simultaneously require action and attention.

Some readers may disagree with me on the relative importance of the items I have included in the list. You will notice that the above list does not include items that could be considered part of the basic operation of HR, such as effective compensation and benefits, performance management systems, up to date HRM technology development, effective labor relations, properly functioning safety and security systems and protections, and so on. These are all incredibly important HR related processes that should be performed effectively. More importantly, as I indicated earlier, if they are not performed as they should be, they will prevent the senior HR professional in the C-Suite from gaining the functional credibility needed to operate on the higher plane of adding the strategic value associated with the five areas indicated above.

A Few Words about Executive Compensation

Some may argue that executive compensation, for example, is such a sensitive issue involving the leaders of the organization that it should be on the list of areas where HR can add strategic value. I have not included it in the areas that are listed because I believe the global attention that is focused on executive compensation means that this is an area in which the CEO and senior HR professional already receive "lots of help." The CEO, the board, the other members of the executive team, shareholders, and other stakeholders are normally deeply concerned about the development or operation of executive compensation arrangements, particularly in a company that is publicly traded. The same is not always true for the five areas that I believe deserve attention.

(Executive compensation is discussed in a later chapter.)

Executive Team Effectiveness

Of the five areas listed where the senior HR professional can add true value, I believe helping to improve the effectiveness of the executive team has to be the top priority. The senior HR professional in the C-Suite has to be able to make an assessment about the state of the effectiveness of the executive team and determine where improvement is needed. This needs to be accomplished early on. If this is not done, it is highly unlikely that any of the other four areas will receive the executive team's best collective effort.

Not immediately assessing the effectiveness of the executive team and helping to improve it once you have a seat at the table is similar to what can happen when someone is unwilling to inspect a house and perform basic maintenance on it. It is possible to live in the house for a time and it may appear that everything is fine and fully functional. However, there may be problems that are developing undetected that ultimately could prove catastrophic. In my opinion, the same is true when it comes to an executive team. The HR professional needs to work in concert with the CEO to make an accurate assessment of the team's effectiveness and the maintenance that needs to be done. If these flaws are not addressed, it could result in failures in the team's effectiveness later during critical business periods.

Quickly Assess the Executive Team's Dynamics

What I call "positive conflict," or conflict of the right type, can actually be helpful in making sure the team is fully questioning and examining issues that require its decision and action. However, the effectiveness of the leadership team can be diminished if the type and level of conflict leads to unhealthy or inappropriate behavior or a state of dysfunction in the C-Suite. Members of the organization have an uncanny ability to sense friction and problems within the executive team even if there is an attempt to keep those issues behind the closed doors of the executive suite.

Later in this book there are chapters that cover coaching the CEO and the executive team and how to navigate executive team wars. For now, it is worth noting that the senior HR professional in the C-Suite should make an early and accurate assessment of the conflict scenarios that may exist within the executive team that could result in a dynamic that negatively impacts the team's overall effectiveness. Working closely with the CEO to understand the root cause(s) of the conflict(s) within the executive team and what should be done to address these issues should be a very high priority for the HR professional who has earned a seat at the executive table.

Understand the Team Member's Leadership Styles and Motivations

Even in those instances when there is no conflict and the executive team may appear to function as a reasonably cohesive unit, it is worth remembering that the C-Suite is made up of individuals. One of the first tasks in helping to improve the effectiveness of an executive team is to gain objective insight into the individual leadership styles and motivations of the senior executives. In the previous chapter, I indicated that knowing your psychological profile was important for an HR professional hoping to earn a seat at the executive table. I strongly believe it is equally important that this type of information also be developed for the other members of the C-Suite.

There may be some HR professionals who have been able to develop this data with the full cooperation of the CEO and other members of the executive team. Frankly, I have never been able to accomplish this without having to overcome some skepticism and resistance by one or more of the executive members of the C-Suite. Over the years, I have learned to plan on encountering this sort of difficulty. In a way, I fully understand it. After all, at one point in my career, I also resisted such assessments and, in the past, I have been guilty of referring to leadership profiles as yielding "psychobabble."

However, over the years, I have become an ardent supporter of using psychological assessments to help understand what may prompt the behaviors I observe on an executive team and what are the likely business outcomes. I have been subjected to several different psychological assessments during my employment with various companies in the course of my career. Though the assessment instruments have been different, each has yielded information about me that has been consistent. This has helped make me gain full confidence in their usefulness and to address behavior that needed strengthening.

Help the Team Embrace 360 Degree Feedback

Many readers will be familiar with "360 degree feedback" as the tool that normally accompanies the process of determining leadership style and motivation. More and more companies have adopted the use of 360 degree feedback. However, in my experience, there are few processes that will prompt as many unexpressed emotional responses, including fear, from some executives. My approach when confronted with an executive colleague who appears to me to be reluctant to go through the 360 degree feedback process has been to emphasize the confidentiality of the process and stress that it isn't a performance appraisal.

Observation: Over the years, I have been subjected to the 360 degree feedback process many times. As a result, I have been able to forthrightly say to my executive team members that I understand their concerns about the process and that I've felt the same way in the past. I've also shared with them that though I've never had a 360 degree assessment that I liked 100 percent, I've never had one that didn't help me improve my performance as an executive.

Determine If You Need the Help of an Outside Consultant

Proactively taking steps to improve the effectiveness of the executive team should lessen the probability that any underlying problems will surface later and affect the team's ability to carry away the rainwater that will come from the business storms that inevitably will confront the group. Attempting to improve the effectiveness of the executive team requires the engagement and "buy in" of the CEO and may also require the assistance of an outside consultant skilled in organization and leadership development. The consultant should have or be able to develop the confidence of the CEO and the senior HR professional, and the other members of the executive team. In addition to knowing the individual profiles of the executive team members, a composite profile of the team should also be developed to determine the collective strengths and weaknesses of the C-Suite.

Establish Your Office as a Safe or Neutral Zone

As a senior HR professional in the C-Suite, you may find that you are placed in the role of "father confessor" for the CEO and the other members of the senior team. It is important that each member of the senior team feels that his or her confidence will not be violated if they share certain information with you. I was fortunate that the last CEO I reported to had fully understood the unique "holder of confidences" role the senior HR professional in the C-Suite may sometimes have to play.

It is hard to overemphasize the importance of the senior HR executive being viewed as a discreet and a very, very closed mouth professional. There will be occasions when members of the executive team will share with you information that may range from personal health issues to intentions to leave a spouse. They may share with you their professional hopes and aspirations, and their fears. The colleagues who do this are placing a trust in the senior HR professional in the C-Suite that once broken is virtually impossible to ever truly regain.

In some cases, the senior HR professional may find a CEO who expects you to serve as a spy and pass on every discussion that you have with other members of the executive team. One of the ways I have handled this situation with business leaders who were my boss was to have a very frank conversation about why the confidences ultimately should not be broken. Most business leaders eventually understand it is best for everyone that what is said in confidence in the senior HR professional's office remains confidential. However, there will be occasions when executive team members will share things with or complain to the senior HR professional in hopes that the concerns will be conveyed to the CEO. In any event, I felt it important to take the position that my effectiveness in the C-Suite would be greatly diminished if anyone, including the business leader, had the impression that something shared in confidence did not remain confidential.

Business Strategy Formulation and Implementation

An executive's acceptance as a full-fledged member of the C-Suite is usually directly tied to the value the executive is seen to bring to discussions that impact business strategy. As discussed earlier in this book, this is where HR has traditionally received a performance evaluation of "needs improvement" based on the comments from CEOs and the other top level executives in the organization. Unfortunately, the characterization of HR (and often the executive heading the function—the CHRO) is that little is done that really impacts the business. I believe the senior HR professional in the C-Suite can bring value and impact the business by helping the executive team refocus business strategy by seeing it through a slightly different and expanded lens.

The current model of strategy development employed in most organizations involves variations on what I call the *dual business strategy—HR strategy alignment model*. Under this conceptual approach, business strategy is developed—often with no involvement of the HR function—with the implied or explicit understanding that an HR strategy will be developed that is aligned with the business strategy. The development of an HR strategy will then drive development of plans and programs related to recruitment, compensation, leadership development, and so on, to in effect support the business strategy. In this way, HR is often thought to act in a "partnership" role.

Promote Development of an Integrated Business Strategy

The *integrated business strategy model* places responsibility on the executive leadership team to develop a business strategy that at its core revolves around organizational capability, the most critical component of which is human resources. As stated earlier, there are very few CEOs, if any, who at some point have not emphasized the importance of human resources by pronouncing it as "the company's most valuable asset." I believe the increased use of the term "human capital" is a well-intentioned attempt by some companies, and consultants, to prompt the thought that human resources are as valuable as financial capital, if not more so.

Organizations that take an *integrated business strategy* approach start with an honest assessment of the business by asking the questions, "What sort of company are we? And what kinds of people work for us?" Understanding the answers to these questions before tackling the traditional strategic planning question of "Where do we need to go?" sets high performing organizations apart from others. Analyzing the "what kind of company are we" question as part of business strategy formulation and implementation means looking at the items that, unfortunately, many on the executive team may mistakenly think of as "soft" issues. The organization's leadership profile, company culture, and people's talents should all drive and impact business strategy.

The organization's leadership profile, company culture, and people's talents should all drive and impact business strategy

Organization Change Management

One of the more difficult but critically important processes that the CEO and senior executives in the C-Suite may need to oversee is organization change. The need for organization change is usually the result of major business events or shifts in the business environment. When these things occur, the senior leadership is required to give a good hard look at what the organization has done up to now and what needs to change.

Those who have been through organization change know the process usually begins with an analysis of the current business state and what the future business state should be. Often, a management consultancy firm is hired to bring into the process their knowledge of the marketplace and understanding of the latest business thinking. They will normally bring additional analytical power in the form of young associates armed with laptop computers. Admittedly, the better consultants have very high powered analytical capabilities. However, the senior HR professional in the C-Suite can bring an intimate knowledge of the entire organization to the process that the consultants and other members of the executive team may not have. The senior HR professional can serve as a trusted adjutant to the CEO in helping to shepherd the organization change process and interacting with the outside consultants.

Observation: The HR professional who occupies a seat in the C-Suite needs to fully understand the dynamics of organization change and be willing and able to transfer that knowledge to the CEO and the executive team.

Deal with the Emotional Aspects of Organization Change

The emotional aspects associated with organization change are very often underestimated. The senior HR professional in the C-Suite should have an intimate knowledge of the works and theories on organization change, including those of Elizabeth Kubler-Ross[1] and others that help explain the various emotional stages associated with change. While it is important that the senior HR professional has this background and knowledge, it has been my experience that the entire senior management team has to develop the internal capability to understand and manage the emotional aspects of organization change once the consultants are gone. Helping the management team develop this capability is also an area where the senior HR professional can add strategic value.

The calm exterior of many individuals, including members of the executive team, may mask the emotional difficulty that may exist just beneath the surface. When organization change takes place, the senior HR professional should be able to serve as a steady hand able to assist the executive team with the problems that are bound to arise. I have found that some executives and senior managers who may initiate an organization change assume they won't be affected by it and are surprised when they are. The senior HR professional needs to have as a high priority helping the CEO and executive team understand the impact organization change could have on them personally. Once the emotional state of the executive team is dealt with frankly and honestly, the C-Suite members can then effectively guide the change efforts of other managers throughout the organization.

Keep the CEO Focused on Communication to the Organization

Many times, I have seen CEOs and other business leaders make the mistake of attempting to keep certain aspects of an impending organization change confidential when the information should have been shared with employees. Of course, this "confidential" information somehow usually finds its way into the organization rumor mill. The additional rumors and unfounded speculation often do more damage than if the information kept "confidential" had been shared in the first place. The senior HR professional should help the CEO and executive team stay focused on the importance of constant and continuous communication during the organization change process. Unfortunately, people may still listen to rumors because they always seem more exciting than the truth.

Leadership Development and Succession Planning

The CEO and other members of the executive team should own the organization's leadership development and succession planning process, with help provided by the senior HR professional. The senior HR profession in the C-Suite adds strategic value by making sure this process is seen as an important business process and not something that "belongs to HR."

I shared an anecdote in the previous chapter about a CEO who indicated that the executives of the company should be in the business of making sure the company is in business 100 years from now. One of the key processes to assist in making sure a company survives and prospers is effective leadership development and succession planning. In a sense, leadership development and succession planning is a fundamental risk amelioration process for any organization. Later in this book we will look at how the HR professional in the C-Suite can be an honest talent broker during succession planning.

The benefit of making sure that the executive team is personally familiar with the leadership assessment and 360 degree feedback processes discussed earlier in this chapter is this can facilitate the cascade of these processes throughout their respective functions in the organization, again with assistance by HR. The CEO and the executive team should be intimately involved in knowing who is considered the top talent in the organization and what assignments and experiences are needed to help develop them into the leaders needed in the future.

Board Interaction

In some companies, the CEO may act as the gatekeeper to the board, limiting the exposure of other executives. In these cases, board meetings don't always include all members of the C-Suite. However, in my experience, boards of directors have become increasingly aware of the importance of direct interaction with the senior executives and top talent in an organization. If the practice at a particular company does not involve regular exposure of all of the senior executives and top talent to the board, the senior HR professional should encourage the CEO to increase the interaction.

I have tremendous personal and professional respect for the last CEO who was my boss. This CEO made sure that all members of the executive team attended the business discussion sessions at meetings with the board. In my opinion, there were several benefits associated with this regular interaction with the board:

- "The board" was not an abstract entity to the executive team. The executive team became familiar with the members of the board as people and experienced the meeting dynamics of the board first hand.
- Members of the board were able to get to know executives and make their own assessments about them over time rather than having to rely on an impression formed on the basis of one or two PowerPoint presentations made to the board.

- The CEO and the full executive team could more easily replay and analyze the concerns and comments of the board about business issues in follow-up executive team meetings.

My attendance at the board meetings, as the senior HR professional in the C-Suite, helped provide me with additional background information that was also useful during my interaction with the full board or committees of the board on issues such as executive compensation, leadership development, succession planning, and diversity. However, I believe the major benefit of my interaction with the board was it enabled me to reflect what I thought would be the likely reaction of the board to business recommendations and decisions made by the CEO and senior executives. It was a variation on the "devil's advocate" role that I believe the senior HR professional should play during business discussions in executive team meetings.

chapter 4

Know the Business Front to Back

If you're a member of the C-Suite, there is no getting around the fact that you have to know your business from front to back. If you are the senior HR professional in the C-Suite, your knowledge of the business should be equal to that of the CEO and the other members of the executive team. Ideally, knowing the business from front to back is something you would have accomplished on the way to the C-Suite. Gaining this vital knowledge requires study and effort. But once it has been done, it places the senior HR professional in a position to operate much more effectively as an executive with responsibility for governing the entire business, not just heading HR.

Hone Your Business Understanding

If you have grown up in the company and make it to the C-Suite, you should have a pretty good grasp of the business already. If you're new to the company and have been recruited into the C-Suite, it is imperative that you begin the process of getting to truly know your new company as soon as you can. (Some of the company's financial data that we will talk about later in this chapter should have been studied before you accepted the job.)

Gaining both a strong conceptual and practical understanding of the totality of the business should be the goal of the senior HR professional in the

C-Suite. Your understanding of the business from a conceptual standpoint will be honed as you engage in strategic discussions with the CEO and other members of the executive team. The process of learning a company from front to back should involve knowledgeable questions about the business from you—the senior HR professional in the C-Suite—to the CEO and your peers. This will reinforce with them that, as a member of the C-Suite, you consider yourself a business person rather than only a specialist in HR.

These critical interactions about the workings of the business between you and the CEO and your peers aren't intended just to enable you to polish your image. Granted, this could be a byproduct of your actually becoming very knowledgeable as you gain insight across the breadth and depth of the business operations of your company. More importantly, sharpening your knowledge of the business by engaging in discussions with the CEO and your peers on an equal footing of company knowledge will likely give you the ability to bring a more critical view of the business to the table including the company's strengths, weaknesses, opportunities, and threats. The role of the senior HR professional in the C-Suite should be to challenge the status quo. Challenging the management team to look at different ways of solving problems and helping to expand their thought processes and view about the business can only take place after you have obtained and demonstrated a rock solid knowledge of your company. As we know, more often than not the CEO and other senior executives are often from the ranks of finance, marketing, manufacturing, or even legal affairs. In many instances, these executives are not usually "people persons." This means that you—the senior HR professional—have to be the voice of the people in the organization in the C-Suite.

> *The role of the senior HR professional in the C-Suite should be to challenge the status quo*

Leverage Your People Knowledge

Though a few HR professionals may have an in-depth knowledge and understanding of their company's business that is the equal of the CEO, CFO, and other C-Suite executives, most probably do not. This is unfortunate because to be truly effective the unique position the senior HR executive occupies requires working across and understanding the various functions within the business. Essentially, the enterprise is made up of the human resources deployed throughout it. It is logical that the senior HR professional in the C-Suite knows and understands the activities and issues the company's human resources are engaged in from the front to the back of the business.

In my experience, knowing a company involves gaining operational, cultural, and financial knowledge about it. In very simple terms, the operational aspects of a company deal with the "who," "what," and "where." The cultural aspects of a company often involve the "how" and "why" things are done. Knowing the financial aspects of a company will usually help with gaining an increased understanding of its operational aspects. Later in this chapter we will discuss the importance of gaining insight into the cultural aspects of a company as a key task in getting to know an enterprise from front to back. In the past, culture was not something that received close examination or focus. However, in recent years, executives, consultants and financial analysts have all realized that the intangible aspects of a company's culture can have a significant effect on how a company operates, which in turn can result in a competitive advantage to the business.

A quick and easy test

If you—the senior HR professional—were on a business trip with your CEO who fell ill just before addressing a group of employees at one of your plant locations on the strategic direction of the business and how their business unit fit in, would you feel comfortable filling in?

Your best friend brings a date over for dinner who is a financial analyst for an investment firm. In the course of dinner conversation, the financial analyst asks what you do and asks about your company and why someone might consider it as an investment.

> Can you give the analyst a description of your company from front to back including the financial highlights in two minutes? If you can't, you're just not doing your job.

While the most successful senior HR professionals who have earned a seat in the C-Suite will be able to view the business from the perspective of the CEO, CFO, and the other senior executives, there are other perspectives from outside the company that should also be understood. The senior HR professional needs to know the business from front to back to also be able to view it from the perspective of outside auditors, financial analysts, consultants, regulators, and others, as should the CEO and other senior executives. And, knowing the business from front to back is about more than knowing what the share price is today.

Use a Two Part Process to Know Your Company from Front to Back

The process of getting to know your company from front to back can be done in two parts. The first part is a desktop exercise that involves becoming familiar with all the information that you can review in your office or at home. In a way, the desktop activities that you should engage in to increase your knowledge of your company are very similar to those that would be done by an outside financial analyst. These professionals make a living by knowing companies from front to back, obviously, with a great deal of emphasis on knowing the financial aspects of the business.

The second part of getting to know your company from front to back involves "hitting the road." While it is possible to learn a tremendous amount about a company from written and published information, both public and internal documents, really knowing a company requires getting out of your office and "seeing and touching" the operations. As mentioned earlier, the senior HR professional is in a position that, in effect, has the entire company and every employee as a responsibility of the portfolio.

Therefore, it is logical that the senior HR professional "hits the road" to know and understand all of the company and its people.

Gain a Thorough Knowledge of the Company at Your Desk

As a senior the HR professional in the C-Suite, you should be thoroughly familiar with the current organization charts of the enterprise. But if you are like most HR professionals I know, including me before I had a C-Suite job, you may have likely focused primarily on the organization charts of your business unit or division. You should also have access to job descriptions for the senior and middle level management positions throughout the company. Studying these documents across the enterprise gives you a broad overview of how your company is organized and what business activities are being done. In the case of large multinational companies, many times the same general organization approach is taken country by country and by the same lines of business.

HR's dirty little secret

As obvious as reviewing organization charts and job descriptions may seem, more times than not when I have asked to review them I have found a number of the documents out of date. Unfortunately, in many organizations, the "firefighting" activities that take up HR's time often mean the task of keeping organization charts and job descriptions up-to-date gets pushed to the bottom of the to-do list. Once at the bottom, the task usually remains there for some time.

I know that in the minds of some, the senior HR professional should be familiar with every job at every level in the organization. This is a worthy goal and most senior HR professionals should eventually gain this level of understanding of their respective organizations. However, if you are new to the C-Suite, your goal should be to make sure you have a full understanding of the width and breadth of the enterprise as quickly as possible. An in-depth knowledge will come with time.

Know as Much about Your Company as a Financial Analyst Knows and More

If your company is publicly traded, an excellent tutorial regarding your business usually exists in the financial documents that must be filed with regulatory authorities. Following the stock market crash of 1929 in the United States, the Securities Exchange Act of 1934 requires publicly traded companies to provide periodic reports that update the financial information of the company. In the United Kingdom, companies must comply with regulations of the Financial Reporting Council (FRC). In Australia, companies are regulated by the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulatory Authority (APRA). Similar authorities and reporting requirements exist in other developed countries.

In the United States, publicly traded companies must file a document known as the "Form 10-K" on an annual basis. Each calendar quarter a similar document is published and is known as the "Form 10-Q." The material in these filings is intended to provide potential investors with the information needed to gain detailed insight into a company. These financial documents are read and dissected by financial analysts, investors, and others who are hoping to know the pros and cons and the ins and the outs of a company better than the next person so that they have a knowledge advantage.

Research your company as if you were a financial analyst

For now, let's just focus on the financial analysts (also known as equity research analysts) who may want to get to know your company. The financial analysts who may cover your company, if it is publicly traded, generally fall into one of two categories:

- Buy-side—A buy-side analyst usually works for a mutual fund or some other investment entity that is interested in adding the stock of your company to its portfolio.
- Sell-side—The sell-side financial analyst is normally employed by a brokerage house that makes recommendations about securities to large financial investors such as pension funds and insurance companies.

It is a troubling point to make but, unfortunately, there are financial analysts who may have never set foot in a company who have a better understanding of the business than many of the HR professionals who are in the organization. If you are charting a path for yourself to the C-Suite or if you are there already, you have to erase this knowledge imbalance. If you were not already intimately familiar with the information contained in your company's financial information filings with regulatory authorities find copies now and start reading and studying them closely.

There is a reason why I am recommending that the senior HR professional use a typical financial analyst as the role model to begin the process of knowing the company from front to back. Technically, a financial analyst takes a purely objective view of your company. (Yes, I know there a few financial analysts who are "bad apples" who are guilty of collusion with the leadership of companies. This is illegal and in violation of the profession's code of ethics. Cases of this are relatively rare.) The analyst may uncover some unpleasant information about the company's financial picture, market position, or future prospects that the CEO and other members of the executive team are unwilling to fully face. In later chapters of this book, we discuss the importance of the senior HR professional operating as an "honest broker" and a "trusted advisor." These roles require the senior HR professional in the C-Suite to be willing and able to represent an objective viewpoint. Like a financial analyst, the senior HR professional should have an independently developed knowledge of the business from front to back that is totally objective and not just a reflection of the "company line."

Let's look at what the analyst will study and know about your company and how you can match and ultimately exceed that knowledge. In addition to being intimately familiar with the financial details of a company, the better financial analysts also have a very good understanding of the bigger picture or macro issues that may impact a company.

The analyst is able to give a detailed but concise description of the business

In meetings and presentations the financial analyst will often develop what is known as an "elevator pitch" about the business. This means being able to articulate a complete and comprehensive summary of the business in one or two paragraphs. Most of us believe we can do this. It's something that will happen on a regular basis when we respond to the question, where do you work? If it's a large well-known company, usually the next question is, what do you do in the company? When the questioner does not explore anything further about the company and what it does, it is because its name is well known. In effect, the individual who asked the question and quickly moved on to what you do is relying on their personal experience or understanding of your business. Unfortunately, that person's knowledge and understanding of what the company does may actually be based on just a part of what the company is all about.

If you are a senior HR professional new to the C-Suite it is possible that you are doing the same. You may have relied on your understanding of the company based on the slice of activities with which you are the most familiar. As part of knowing your business from front to back, you should have the same broad knowledge and understanding of your entire business as enables a financial analyst to give a concise but complete and fully accurate description of your company.

Know the strong points and the holes in your company's business strategy

As part of the macro, or big picture, review of your company, the financial analyst will look very hard at things that could impact your company's business strategy. The analyst will try to poke holes in the strategy while deciding if it makes sense. In all likelihood, the financial analyst has probably read Michael Porter's book on strategy we mentioned earlier or was taught the points it covers in business school and is looking for answers to questions on a range of issues:

How easy is it for other companies to come into your market and compete with you?

This question attempts to ascertain "what is the barrier to entry." I spent a brief amount of time as an executive recruiter—"headhunter"—and learned the industry was well known for having an extremely low barrier to entry. Anyone with a contact list and telephone can hang out a shingle as an executive recruiter. Whether they will be successful and can win business from larger more established firms is another issue. But very little prevents anyone from getting into the headhunting game. Another of my employers was in the very sensitive and secretive business of uranium enrichment. The barrier to entry was controlled by the government and was off the scale of extreme difficulty for many very understandable and readily apparent reasons.

Is the major product or service of your company vulnerable to the "threat of substitution?" In other words, can something come along that can relatively easily take its place? Examples of products and companies that have been vulnerable to the threat of substitution are numerous once you give it a little thought—digital cameras and Kodak cameras and film, typewriters and laptop computers, the horse and buggy and the Model T Ford.

What is the bargaining power of your customers and buyers? The financial analyst will attempt to determine if your company is dependent on a relatively small number of buyers who might easily switch to another supplier. Is there a large number of companies making what your company makes or selling what your company sells?

Is your company dependent on its suppliers? Does your company have one or multiple suppliers? Is the product from your company's suppliers important to your company's product?

How "cutthroat" are your competitors? The analyst will know if you are in competition with other companies that will do just about anything to get business. This may mean selling a competing product at a loss to take away your business.

Become familiar with all the properties your company owns

The financial analyst will want to know where you do business and what property your company owns. Analysts will dig to make sure they know about all of it and every location. (As an aside, I once worked for a large multinational oil company that was so flush with cash after the spike in oil prices after the first oil embargo in the 1970s it bought one the largest chain of retail stores in the United States. The "clash of cultures" between the two companies was monumental.)

The risk factors of your business

Most of us are familiar with the term "risk-reward." A very important part of what the financial analyst will do is try to assess the risk associated with your company compared to the rewards that may or may not be gained by investing in the stock. When financial analysts try to assess risk, the better ones will look at a broad range of issues from the strategic big picture issues that may be geopolitical in nature to issues "down in the weeds," for example the risk and impact of a strike at a particular plant. The senior HR professional in the C-Suite should also know and understand these risks. Some are obvious, others are not.

For example when I worked in the international oil business one of our major **strategic risks** was geopolitical—the possibility of war in the Middle East and a resulting disruption in the oil supplies that we refined and marketed. The analyst will, of course, also focus on the **financial risk** a company faces. Does it have enough money for operations? Are there **operational risks** associated with what the company manufactures?—A fireworks company, for example. Are there **legal risks**? Is the company likely to be sued? Think General Motors and its faulty ignition switches or Toyota's sticking accelerators. Are there **other risks**?

An example of an "other" risk—a really big one

I once worked for a company that involved potentially very dangerous and volatile material in the manufacturing process. Aside from this clear example of operational risk, for political reasons the plant had in the 1950s been built in a particular part of the United States. It was later revealed that the plant had been built in an area known as the New Madrid Fault Zone. The New Madrid Fault caused an earthquake and aftershocks in 1811–1812 that was one of the most severe in the country's history, and that today would probably measure seven on the Richter scale. There was a big risk associated with the geographic site of the plant.

When I was a member of the executive team of a publicly traded company, we had to be familiar with all the different types of risks the business faced and include them in our filing materials. An exhaustive list of the different types of risks to a business can often be several dozen items. You may not have to start from scratch when identifying the risks associated with your company. Again, if your company is publicly traded, information about the risks it faces is likely to be included in the publicly available information filed with the applicable regulatory authority. If your company is privately held, the CFO or risk manager will likely be able to share this information with you.

Real life examples of risk factors

At my former employer, we were involved in the deployment of a new technology to reduce the cost of our product and improve our competitiveness. The project was very complex, expensive, and had risks. As an executive team, we had to make sure we understood the risks inherent in the project as well as the other risks to our business. We had to be sure to disclose the risks to the public. Here is a partial list of the broad range of risks we identified that are examples of the information we needed to point out to potential investors:

- The success of our business depends on our ability to improve our competitiveness through deployment of Project X.
- Current market conditions for our product are challenging the economics of Project X and may impact our ability to secure further financing.
- If we terminate the project, it could have a material effect on our business, our liquidity and prospects for the future.
- We rely on third party suppliers for key parts and components of the machine central to the success of Project X.
- The ability to retain key personnel is critical to the success of our business.

- Our pension plans are underfunded.
- Our business is heavily dependent upon sales to a small number of customers.

The complete list of risk factors and the accompanying explanations was over 25 pages long in our public disclosure.

Financial statements

By definition, a financial analyst reviews and analyzes the financial condition of a company. Most of the financial information that an analyst will concentrate on can be found in the three fundamental financial statements that virtually every company prepares:

- Income statement
- Balance sheet
- Statement of cash flows

The financial analyst will use these key financial reports (and some others) to reach certain conclusions about the company's current overall financial health, its position in its respective industry, and its desirability as an investment. In the next section we'll discuss the importance of financial statements in helping the senior HR professional in the C-Suite to know a company from front to back.

Know if your company is a "buy," "sell," or "hold"

Ultimately, the financial analysts who make recommendations to clients about investing in your company will place the shares of stock into one of three categories: "**buy**," "**sell**," or "**hold**." The first two categories are relatively straightforward recommendations. In other words, the financial analyst may recommend that the stock be acquired—it's a buy; or the recommendation is to sell, or in other words get rid of the stock. The third recommendation, "hold," can mean the analyst isn't quite sure about the stock's prospects. In the analyst's opinion, conditions of the company may not be clear and the stock may go up or go down. Those investors that already own the security are advised to hold onto it until the picture becomes clearer.

Understanding the Financial Statements of Your Company

In the United States and other countries, there is a general problem of math avoidance by students, who nevertheless ultimately find their way into the job market. Unfortunately, in the past many HR professionals have often not been able to demonstrate financial acumen in part because it was not really expected of them. For some HR professionals, the world of finance and accounting holds no interest and they are content knowing (or faking to know), the bare minimum to enable a rudimentary business discussion with the business leaders of the organization. Clearly, the financial acumen disadvantage that some HR professionals may have can and should be overcome as part of really knowing the business. The only real advantage that the business leaders and financial professionals in a company may have in this area is they have usually studied and worked with the terms and concepts of finance longer than the HR professional who needs and wants to become financially literate. None of the finance and accounting professionals was born with this knowledge.

Frankly, I have never been able to understand why gaining financial skill would not be high on an individual's personal development list. Acquisition of financial knowledge has benefits outside of the workplace and will aid the individual in being a more sophisticated personal money manager and investor. In any event, the senior HR profession has to be comfortable with the financials of a company to know the business from front to back.

Become Familiar with the "Big Three" Financial Statements

Earlier in this book, we discussed that it is vitally important that the HR professional who wants to earn a seat in the C-Suite be comfortable with numbers to aid in the ability to speak the language of business. The numbers that are generally considered to speak the loudest about a business are usually found in the big three of financial statements mentioned earlier—the **income statement**, the **balance sheet**, and the **statement of cash flows**.

As we discussed in the previous section, the financial analyst will rely heavily on these three critical pieces of financial information in making an assessment about your company. Granted, these are not the only financial statements on which an analyst will focus. In a perfect world, every employee of every company should be able to read and understand the key financial statements of their employer. Unfortunately, that is not the case. I will go out on a limb and venture the guess that there are some CEOs who are probably not as familiar with their balance sheets, income statements, and cash flow statements as they should be. Understandably, CEOs who fall into this category are unlikely to be in their jobs for long.

While understanding the financials of a company is vitally important, it is impossible to become a financial expert by reading this one section of this one chapter in this book. The material in this section is intended to give a very basic overview and it may be skipped by those who believe they fully understand financial statements. For others, increasing personal financial knowledge will take some time and a little effort. Some years ago, to help improve the financial literacy of my HR team I discovered an excellent book entitled, *Financial intelligence for HR professionals*.[1] It is extremely well written and easy to understand. It is a permanent part of my personal reference library. I recommend it to all HR professionals hoping to earn a seat in the C-Suite.

The income statement, the balance sheet, and the cash flow statement are the big three financial statements for virtually all companies, which is why we will focus on just them. I know the finance and accounting experts who may read this section are gnashing their teeth about all the other important and more detailed financial statements that could also be reviewed. However, I will focus on just these three statements because the senior HR professional who becomes thoroughly familiar with them will be far ahead of the game in comparison to most other HR practitioners and even some executives in some C-Suites. For those who need to improve on their financial knowledge and at the same time gain a better understanding of their company, my belief is time is best spent concentrating first on understanding and becoming comfortable with these three important financial statements.

The income statement

First, let's look at the income statement. This is the financial statement that many of us are probably most familiar with though we may not have studied one. We have a tendency to think in terms of whether a company is operating at a profit or loss for the period reported. This is the information reported on the news for large well-known businesses and it comes from the income statement the company publishes. If we have never bothered to look at the financial statements of our employer, we normally hear quickly if the company has operated at a profit or a loss. The income statement is similar to what we do on a weekly or monthly basis when it comes to our main source of money, usually our paycheck (income or revenue) and our expenses (rent or mortgage, phone, car note, and so on). Some individuals don't bother to write down these elements but keep track in their heads. Nonetheless most of us have a sense of whether we are "doing *OK* financially" for a given period or "we are in trouble."

The same holds true for the published income statement of your company, though it will be more detailed and is actually attempting to determine if what the company produces or the services it sells are making a profit. Unlike what we may do on a personal basis, the income (profit and loss) statement isn't measuring the actual cash or cash flow of a company. That's usually done on the cash flow statement that we will cover later in this chapter.

Here are the items that are normally contained on an income statement:

- Revenue or sales
- Cost of sales
- Gross income
- Selling, general, and administrative expenses (SG&A)
- Operating income

- Other income/expenses
- Pre-tax income
- Net income after tax.

I am not going to waste your time by giving an example of an income statement for an imaginary company. Instead, it is better that you track down and review the actual income statement for your real company (or some other real company if you are a student, for example). It is important to become comfortable with the physical aspects of the document. While what is listed above represents the major categories found on a typical income statement, the actual income statement for your company may have subcategories and other headings.

Don't be put off by the numbers. You are not trying from the start to be able to dissect the numbers with the ease or the precision of a financial analyst, accountant, or bookkeeper. That will come later with practice. You should review several income statements covering relatively recent time periods. You are interested in the numerical relationships on the income sheet and analyzing the reasons for any changes you see in them so that you have a very clear idea of what in your company is helping or hurting the bottom line.

Balance Sheet

When it was time for my wife and me to prepare our wills we had to prepare a net worth statement. We had to list all the funds we had in the bank, our stocks, the value of our house, the value of our car, and any other **assets**. We then had to list everything we owed, for example the mortgage on our house, the amount we owed on our credit cards, the amount of the unpaid loan for the kitchen remodeling or any other **liabilities**. In this simple example, subtracting the amount of our liabilities from the amount of our assets leaves an amount that is our **net worth**. Our net worth statement was our financial snapshot at a given point in time.

In a very broad sense, the balance sheet of a company can be thought of as its net worth statement (of sorts). I know that all of the financial experts who may read this analogy will cringe. But the balance sheet shows what a company owns and the value of what is owned (**assets**), what the company owes (**liabilities**), and the value that the owners of the business put into it (the **shareholders' equity**) as at a specific date. It's called a balance sheet because the two sides balance out. The formula for every balance sheet looks like this:

Total Assets = Total Liabilities + Shareholders' Equity

As I related earlier in this book, I learned the hard way that a balance sheet always has to balance. It is very important to keep in mind that a balance sheet, like a personal net worth statement, is a financial snapshot. It represents the financial status or financial health of a company at a particular point in time. Most balance sheets will list the following information about a company's finances:

Typical balance sheet assets items

- Cash
- Marketable securities (short-term investments)
- Accounts receivable
- Notes receivable
- Inventory
- Prepaid expenses
- Investments
- Fixed assets
- Other assets
- Intangible assets (goodwill)

Typical balance sheet liabilities items

- Bank loans
- Accounts payable
- Wages payable (salaries), rent, tax, and utilities
- Accrued liabilities
- Notes payable
- Unearned revenues (customer prepayments)

- Dividends payable
- Long-term debt
- Lease obligation(s)
- Deferred income tax liability
- Pension fund liability

Typical balance sheet shareholders' equity items

- Preferred stock
- Common stock
- Capital in excess of par
- Retained earnings
- Other accumulated income,

Cash flow statements

As the name certainly suggests, a cash flow statement provides details about a company's cash flows. Cash can and does flow in two directions—in and out of a business. The cash flow statement basically lists all the sources of inflowing cash (notice I make sure not to use the term "income" for inflowing cash). The inflowing cash is usually money made from the main operations of the enterprise or sale of assets and cash from investments. The cash outflows are money that is used to run the business and buy things. The cash outflow may also be to make investments.

Again, without bogging us down in a lot of accounting nuance, the reason that a statement of cash flow is helpful in addition to the statement of income is some of the "income" on the statement may not yet be actual cash because of the way accounting is normally done in companies. (Yes, by all means, blame the accountants for any of your confusion at this point.) The classic example that has been used over the years to illustrate the difference between income and a cash inflow point is the small struggling company that lands a big fat contract. The value of the contract is recognized on the income statement for the month or quarter in which it was landed but the actual money or cash from the contract may not start to flow into the company until work starts on the project, which could be another six months down the road.

Most of the cash flow statements I have encountered usually have four major headings:

- **Cash flow from operations**
- **Cash flow from investments**
- **Cash flow from financing**
- **Net increase/decrease in cash.**

Typical Cash Flow Statement Items

The specific items under these major cash flow categories are listed with the amounts expressed in positive numbers representing an inflow or expressed as a negative number—a number enclosed in parentheses—representing an outflow. Here are some examples of items you may find on a typical cash flow statement. The items without parentheses represent typical cash inflows. The items in parentheses represent typical cash outflows.

Cash flow from operations

- Cash received from customers
- (Salaries)
- Cash from operations
- Interest received
- (Tax paid)

Cash flow from investments

- (Purchase of equipment)
- Sale of equipment
- Income from bonds

Cash flow from financing

- Cash from loan
- (Loan payment)

Net increase/decrease in cash

- Cash at beginning of period
- Cash at end of period.

Know the "Vital Signs" of Your Company's Health

The purpose of becoming thoroughly familiar with the financial statements is to be able to know and understand the state of the "vital signs" of the company's health. Just as your doctor can tell a lot about your health by checking your vital signs—weight, pulse rate, blood pressure, body temperature, and the like—it is possible to get a pretty clear sense of the health of a company by reading the vital signs contained in the financial statements we just discussed. Once again, all of the financial experts out there who happen to read this may cringe, but over the years I have come to think of the selling, general, and administrative expenses (SG&A) as an indicator of the "weight" of the company. In other words, is the company very lean, or sort of overweight, or just plain morbidly obese?

SG&A is a line item found on the income statement. For all the financial experts and accountants who may be reading this section, Investopedia gives this technical definition of SG&A:[2]

"Reported on the income statement, (SG&A) is the sum of all direct and indirect selling expenses and all general and administrative expenses of a company."

Hopefully—without appearing to turn all this into an accounting lesson which I am not qualified to give—here is an example of direct selling expenses. When I was associated with an international oil company, we, of course, sold gasoline through our service stations—lots of it. We also spent a large amount on advertising to sell that gasoline, all the slick television commercials you probably got tired of seeing that told you how great our product was compared to that of the other companies. (Confidentially, as an aside, most gasoline with the same octane level is pretty much the same from company to company.)

We were able to directly allocate the millions of dollars we spent on advertising to the millions of gallons of gasoline we sold. Advertising was a direct expense. So were the salaries of the people who sold the gasoline. So, for each gallon of gasoline, we knew what our direct selling expenses were for that unit of product. On the other hand, some of our expenses for the service stations such the money we spent on computers, or telephones, and faxes were considered indirect selling expenses.

That brings us to the general and administrative expenses. For most companies general and administrative expenses include taxes, the salaries of non-sales people, the cost of company cars, travel, and entertainment, the rent on the building, and the like.

The reason for highlighting SG&A as a vital sign for a company is it is a very common one in most companies and one that is relatively easy to read (measure). This is why the SG&A of a company is one of the first areas an investor or new CEO will examine. They will look to see if the SG&A relative to revenue, for instance, is in line with that of other companies in the industry. If it is below the industry norm, in my thinking and terminology, the company could be considered "lean." By the same token, if SG&A expense is above, or greatly above the industry norm that's when the company may be considered overweight or even morbidly obese.

Some financial vital signs are more critical for some companies than for others. The senior HR professional in the C-Suite needs to know the financial vital signs of their company and be able to identify when there may be problems with the company's health.

Some financial vital signs are more critical for some companies than for others

Get to Know Your Company from Front to Back by Hitting the Road

Though you may be an HR professional new to the C-Suite, hopefully, you have already spent some of your time in the field visiting the operations of your company. Yet for many HR professionals who earn a seat in the C-Suite, there still may be parts of the company's operations you have never seen. The advice on this issue is very simple—try to actually visit as many of your company's operations as you can and as soon as possible. There are several basic reasons for doing this:

- In some companies, it is hard to really appreciate the physical scale of some of the operations until you actually visit and see them in person.

- It is vitally important that the senior HR professional in the C-Suite see the next level of leadership of the organization in "their natural habitat" and learn about the business from their perspective.
- By "hitting the road" you'll probably learn whether your company is one company (even if it has subsidiaries and affiliates) with one strong culture spread over different geographic locations or whether it really is just made up of a bunch of smaller different companies with different cultures and different approaches to the business using the company's name and logo.
- There are few things that boosts the morale of the employees of a company more than a C-Suite executive who comes to visit them at their work location who is actually interested in learning what they do and hearing what's on their mind, including complaints.

Try to Visit Company Operations without the CEO

CEO visits to company locations outside of headquarters can be nerve wracking for everyone involved though everything may have gone very smoothly. More importantly, everyone will be on their best behavior and naturally will put their best foot forward when the CEO comes to town. If you are the senior HR professional and new to the C-Suite, and you are getting to know your company by hitting the road, you should probably consider doing it solo. As a member of the C-Suite, once you arrive at the location it is unlikely you'll be alone for long.

Assuming your visit does not take place just after an earlier one by the CEO, or other senior executives, local management will likely look forward to being able to share their perspective on business issues, strategies, and concerns with someone who is a member of the C-Suite but not the CEO or their functional head. The senior HR professional in the C-Suite who is made privy to sensitive information or observations by the people visited in the field should apply the same rules and professional courtesy afforded the CEO and other senior executives back at headquarters. Whatever is said in confidence to the visiting senior HR professional should remain private, unless, of course, the information shared concerns a violation of the company's code of business conduct or ethics policies, or a law.

It might be another world out there

I will forever be grateful to a senior executive I worked for who insisted that I visit the company's main operational sites in the first week after joining the company. There were two large aerial pictures of the two sites in the boardroom where we held our executive team meetings. During my first day or two at work several of my colleagues in the C-Suite familiar with operations would point to various buildings and locations on the photographs to help in my orientation. During one of meetings as I was staring at the photographs, the senior executive said very matter-of-factly, "You won't understand some of what we are trying to tell you until you go visit. Try to do it in the next week." I did go to the plant operations a few days later and was in awe of the mammoth size of the facilities I saw in person. The plant reservation was the size of a small town. Because the plant facilities were originally part of the US government, the entire installation looked like something out of a science fiction movie. You had to see it in person to begin to understand it. Had I not gone out to visit shortly after my arrival at the company, I would have been in the dark about the size and scope of our operations during my crucial first few weeks and months on the job.

Assess the Local Company Culture

Most of the companies I have worked for have prided themselves on having a strong company culture. Almost all of these companies believed that the actions and pronouncements of senior management—the CEO and other executive members of the C-Suite—are what drive the culture. This may have been true to some extent. But I have found that company culture is often an amalgam that reflects the stated expectations from the top, the interpretation of this made by the managers and supervisors in the middle, and the reaction and conduct of employees and workers at the base of the organization.

The reason we have not discussed this important aspect of knowing a company from front to back before now is it is has been my observation that when you are the HR professional sitting in the C-Suite you may think you know your company's culture. But you really do not until you get away from headquarters. Up until then, you may know the culture of the C-Suite or the culture of headquarters but not necessarily the broad company culture across the company's various locations, or the micro-cultures also at play out in the field. Learning a company's culture cannot be a desktop exercise. Granted, a comprehensive assessment of a company's culture won't take place after a few trips to a few plant locations. Regardless, the senior HR professional in the C-Suite should make these visits as soon as possible to begin the process of making these in-person assessments.

The Companywide Organization Culture Survey

Ideally, the senior HR professional in the C-Suite should undertake a companywide survey of the organization's culture. Convincing senior executives and managers that a survey of people in the organization was good a good idea was an uphill struggle for many HR professionals some years ago. It may still be for some, but for many organizations the notion of understanding the company's culture based on what employees feel and think about the company and attempting to influence or change it for the better is now often high on the C-Suite's agenda. I believe we have some notable companies to thank for this change in attitude in recent years—Southwest Airlines, Disney, and AstraZeneca quickly come to mind. But technology companies like Apple and Google and others have often led the way in leveraging their companies' cultures as a source of substantial competitive advantage. And technology, for example Survey Monkey and other tools, has made it remarkably less burdensome logistically to survey an organization.

The role of the senior HR professional in the C-Suite is to help the CEO and other members of the executive team have a realistic assessment and understanding of the culture(s) imbedded in the organization. As most specialists who study company culture advise, it is important to not only understand the "what," and the 'where" of a company but also the "how and why." In other words, how and why things are done in a certain way is, in effect, the essence of the culture of the company.

Some Suggested Areas to Survey

While we know the culture in every company is likely to be different and often unique, it is possible to glimpse the culture in any organization by measuring some determinants that seem to be consistently significant across different companies and across different industries. Here are the areas of inquiry we surveyed when I was responsible for HR at an energy company. This list might also be useful as a starting point for other senior HR professionals in the C-Suite who want to understand their company's culture:

- Do we value self-starting/initiative?
- What's our customer focus?
- Do we display teamwork?
- How are we at managing people?
- How are we at promoting people?
- Do we empower our people?
- Do our people like working here?
- Do we provide Equal Opportunity?
- How are our communications?
- Is fairness important?
- Is leadership trusted?
- Do we develop people?
- Do we accept diversity?
- Are we open to change?
- Do we have a results orientation?

Once the survey has been completed, the senior HR professional must make sure the results are fully communicated—this means the good, the bad, and the ugly that may have been revealed. It has been my experience that when you conduct a culture survey and management tries to sit on or in any way "massage" the results the organization quickly smells a rat and becomes even more cynical than before. The advice is very simple—tell the truth about what was learned. Also, let the organization know what needs to be fixed, how you plan to do it, and who will be responsible for seeing that it is done.

Know Your Company in the Truest Sense

Knowing your company from front to back will enable you to engage in conversations with the CEO and other members of the executive team as an equal. Without this firm foundation based on a thorough knowledge of your business it is unlikely that you will be able to hold your own in the strategic discussions that shape the direction and activities of the business—assuming you are even invited to participate.

As we have discussed, knowing your company from front to back requires the senior HR professional to be familiar with the strategic, financial, and operational aspects of the enterprise. However, I realize that a large part of what was discussed about knowing the financial aspects of a company may be a bit off-putting for some HR professionals. We have discussed earlier in this book that the senior HR professional who can't wrestle with and understand the numbers of the company is unlikely to have a real voice, and be truly listened to, and heard at the executive table even if somehow they may have found a seat there. This is something worth repeating as a skill that will help the senior HR professional immensely in the context of what needs to be done to know a company from front to back.

However, knowing a company from front to back in the truest sense is about much more than just knowing the financial and desktop items we have covered up to now in this chapter. As we discussed, an analyst sitting thousands of miles from your company can do that. Nor is it about being able to match the names and faces of the persons you meet with the positions on the organization charts you've reviewed, or understanding the size and scale of what may be your company's operations. Yes, knowing your company from front to back is about complete familiarity with all of those things. More importantly, it's also about knowing and understanding the intangible aspects of the company that are almost always embedded in the organization's people and culture.

I was fortunate to attend a well-known school in London for my graduate studies whose Latin motto—*rerum cognoscere causas*—was shortened from a phrase written by Virgil, *felix qui potuit rerum cognoscere causas*, loosely translated to mean "fortunate is the person who can know the cause of things." To borrow from the wise words of Virgil, fortunate is the senior HR professional who knows the company from front to back who can help the CEO and executive team know the cause of things.

chapter 5

Helping the Executive Team with Its 4 Rs—Recruit, Reward, Retain, and Retire Talent

A basic message of this book is that HR professionals need to learn more about business, and get better at it, and business executives need to learn more about HR and get better at managing people. The senior HR professional in the C-Suite is the one who must play a pivotal role in assisting the CEO and other members of the executive team adopt a mindset in which human resource management is thought of as a *critical business process*. The influencing and facilitation skills needed by the senior HR executive to operate effectively in the C-Suite are put to best use by helping the CEO and the senior executive team embrace the concept that, as stewards of the enterprise, one of their core responsibilities is to actively participate in the human resource management business process and not "contract it out" to the HR department.

One of the more difficult challenges facing senior HR professionals is fostering a change in the mindset of CEOs and other senior executives so that HR is no longer considered something that is done for them. Helping bring about this change is all too often further complicated by the attitude of some senior executives that HR is something to work around, or avoid, and that people issues get in the way of doing "real business." In a sense, many executives think of, and treat, HR as a very skilled type of janitorial service. The reason CEOs and senior executives need to adopt a different mindset is very simple—the basis of competitive business advantage in almost every industry has shifted, making effective human resource management now the "real business."

Approaching human resource management as a basic business process rather than a specialized support service means that business executives need to understand the critical process elements of effectively managing the talent of an organization. While the observation is constantly (and loudly) made that HR has insufficient business skill and understanding, the equally valid observation that many business people have an inadequate level of skill and understanding of human resource management is made much less frequently. Unfortunately, there are numerous examples of "brilliant business persons" who are praised for their ability to manage the profitability, or financial resources of a company, who have the people management skills of a Neanderthal (and that may be unfair to Neanderthals). The recognition that the elements of human resource management should be part of the curriculum of MBA degrees by many top universities is a good start. Over the upcoming years, we may be able to see an increasing number of senior executives with improved skills in the basics of effective human resource management. In the meantime, there are senior management teams that continue to have skill gaps in some, or all, of the critical HR processes.

Over the years, senior executives have often referred to the "black box of HR" as an indication that many of the human resource management processes are opaque and lack transparency. Admittedly, there are occasions when this criticism of HR is justified. However, senior management is also culpable. Many senior executives know that some of the HR processes can be complex and sometimes difficult. Some executives, therefore, are content to let someone else do that brand of dirty work. The skilled senior HR professional who has earned, or hopes to earn, a seat in the C-Suite will want to be at the center of a process of knowledge transfer that enables senior executives to discuss HR processes as easily as they discuss "business issues." The senior HR professional who is part of the C-Suite needs to assess the level of human resource management sophistication of the CEO and other members of the executive team. The senior HR professional must then make helping the executive team to fill the skills gap a very high priority.

Help Senior Executives Understand the HR Management Processes

The term the "4 Rs of human resource management" is a reference to the old saying by a somewhat less than erudite observer that, as part of being well educated, every student should be well versed in the "3Rs," or the basics of *reading*, *'riting*, and *'rithmetic*. The corresponding observation is that to be an effective executive all members of the C-Suite should understand, and be well versed in the basics of human resource, or talent management—namely the 4Rs of **recruitment**, **reward**, **retention**, and **retirement.** Obviously, there are other processes involved in the effective management of human resources, for example, talent management, performance management, and leadership development. However, enhancing the senior executive team's understanding of, and skill level, in the 4Rs—the basic but foundational processes of human resource management—is essential in first reducing the major business inefficiency that exists in many organizations. This major business inefficiency is implicit in those organizations in which the senior executive team has not taken full ownership of the management of talent as a critical business process and has only a cursory appreciation for what the process entails.

The Management Cycle of Any Valuable Resource

In many respects, the four Rs of human resource or talent management reflect the phases involved in the management of any valuable resource. Figure 5.1 illustrates the generic steps associated with resource management. Though not shown in Figure 5.1, the process actually begins with acknowledgment that the resource is valuable and important in helping to accomplish the entity's desired goals or objectives. The first phase of the

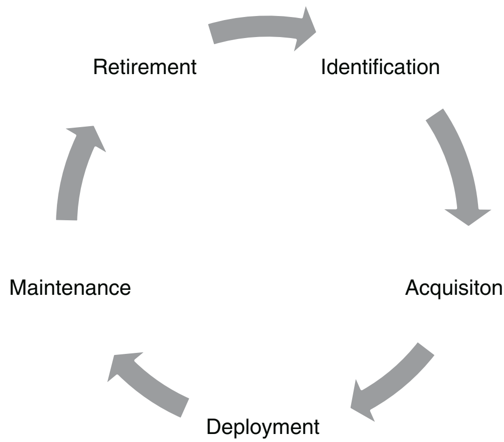

FIGURE 5.1 **The generic resource management cycle**

process begins with identification of the resource requirement, followed by its acquisition, then deployment, maintenance, and ultimately retirement.

Let's use my experience in the oil industry to illustrate how senior executives normally manage a resource. The senior executives of the oil company would be heavily involved in the review of the work the geologists may have performed that led to the identification of a large deposit of oil or natural gas. After determining the field had potential, the senior executives would then give the go ahead for its acquisition or the rights to drill. The negotiations to acquire the field would be closely monitored by a senior executive at headquarters (who would probably give the person doing the deal a headache with all the helpful negotiating advice that would be offered).

Once acquired, this new valuable resource would be deployed as part of the company's portfolio of fields. The heavy equipment and drilling rigs would be brought in to deploy the field. Over the years, if the company was lucky, as the field would crank out product, the equipment associated with it would be maintained. Eventually, the field may run dry or might no longer be profitable to operate. At that point the field, containing the resource of gas or crude oil, would be shut down or retired.

The 4Rs of Human Resource Management

In many respects, human resource management follows a similar cycle. I know there may be some readers who will bristle at the comparison of managing people with the management of an inanimate resource. There is no question to me that much more skill is required in the effective management of the talent of an organization. The nature of the resource—human—of course adds a considerable degree of complexity to the management process. As illustrated in Figure 5.2, the 4 Rs of *recruit*, *reward*, *retain*, and *retire* the human resource follows the general process associated with the management of any valuable resource. The effective senior HR professional in the C-Suite works toward fostering an attitude in senior executives that no less than the same care and attention given to the management of the physical or financial resources of the company should be given to the effective management of the talent, or human resources, of the organization.

While the major elements of human resource management are conveniently referred to as the 4Rs and are easily reflected on a simple chart, obviously effective human resource management has a complexity that is more than two dimensional. And while a cycle is used to illustrate the major elements of human resource management, in practice, it is not always a sequential set of operations. At any given point in time, the senior

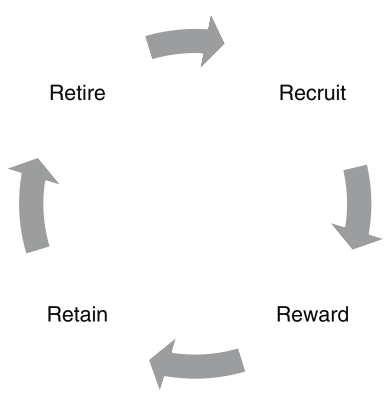

FIGURE 5.2 **The simplified human resource management cycle**

executive team may need to wrestle with issues associated with any one, or all, of the talent management processes simultaneously. That is why it is important that the senior HR professional in the C-Suite is able to aid the senior executive team in becoming proficient in their understanding of these foundational elements of human resource management.

The senior HR professional should have as an objective making sure each member of the C-Suite, like the cockpit crew of an aircraft, is "airworthy." In other words, each member of the flight deck understands and has been trained in the dynamics and physics of flight. Each understands the principles of lift, thrust, and drag. Each member in the "C-Suite" of the aircraft is capable of performing a safe and efficient takeoff and landing. During the glory years of the United States space program, the space shuttle had a six or seven person crew. There was a mission commander, a mission pilot, and assorted mission specialists, but each knew how to fly. One of the crew may have had better flying skills than the others on the mission but each crew member was a capable pilot in their own right. There may be varying degrees of capability (or personal interest) but each member of the C-Suite needs to be able to "fly" when it comes to the 4Rs of talent management.

The First "R" is Recruit—Talent Acquisition

Business strategy is executed through the human talent of an organization regardless of the amount of technology, or automation involved. The senior HR executive in the C-Suite should be cognizant that the most effective senior management teams are constantly monitoring the organization to determine if the right talent exists for the tasks and challenges that lay ahead of the enterprise. When the right talent does not exist, or is leaving an organization, it is necessary to recruit new talent.

Business strategy is executed through the human talent of an organization regardless of the amount of technology, or automation involved

The human resource management process of recruitment, or talent acquisition, may sound very straightforward. However, the senior HR professional in the C-Suite should help the senior management team understand that effective recruitment actually requires that several related business processes be done first. Before anyone from a company visits a college campus to entice young talent to join an organization, or hires a headhunter to recruit an executive, or places a job posting on the internet, a strategic planning process regarding recruitment should have been completed that obtained input from the senior executives.

Like most business processes, the process of recruitment has a front end, a middle segment, and a back end. The front end of the recruitment process has very little to do with sitting in front of a candidate on a college campus or at a job fair. Though sometimes overlooked, effective recruitment always starts with a critical analysis of the business strategy, goals, and objectives ultimately prompting any recruitment. This front-end look at the recruitment process also has to focus on the organization's existing talent. An analysis of current and expected external and internal demographic trends should also be factored into the front end of the process.

Recruitment as a Function of Business Strategy and Organization Capability

The complaints about HR and its lack of strategic business capability and input are well noted and were discussed earlier in this book. An effective approach to bridging this perceived gulf is a strategic planning exercise with the senior management team, facilitated by the senior HR professional. The session focuses on an important aspect of the front end of the recruitment process, namely, the identification and acknowledgement of the talent needed based on business strategy. The senior HR professional's goal is to help the executives reach a collective understanding of the relationship between the goals of the business strategy and the organization's capability. Helping the executive team realize and acknowledge that there is a direct relationship between successful execution of the business strategy and the organization's capability is a fundamental element of the senior HR professional's toolkit. The senior HR professional's interaction with the senior executive team on this topic—business strategy execution and organization capability—begins to reinforce with the executives the direct linkage between effective talent management and effective operation of the business.

Steps in the Talent Identification Process

In my experience, the senior HR professional in the C-Suite needs to personally meet with the senior executive team and conduct a review that is a simple gap analysis regarding talent. The review involves the following steps:

1. **Begin with an environment scan**—The talent identification process begins with a review of the strategic business plan that includes the competitive, economic, and regulatory environment impacting the business.
2. **Determine the talent needed**—The next phase of the review is to determine the capability of the human resources, or the talent, that will be needed to accomplish the goals and objectives. It is important to make sure that the executive team gives a description that is as specific as possible.
3. **Understand the competition for talent**—Once the team has identified the type of talent needed, the next challenge is to honestly confront the question, "Who are we competing against for the talent we need?" The executive team may need to acknowledge that the talent needed exists outside the company's current industry and that the competitors for talent aren't always the competitors for business.
4. **Assess the organization's current talent**—Once a determination has been made regarding the type of talent that is needed, a frank and honest assessment of the organization's current talent should be made. This results in a classic gap analysis. In other words, a comparison is made of the talent the company needs versus the talent currently in the organization.
5. **Decide what needs to be done to close any talent gap**—If a talent gap is identified, the executive team should decide what needs to be done to close it. (Closing the gap is likely to generate a significant amount of discussion and may result in some debate. Capturing the

comments of the executive team and ranking them will enable better decision making.)

6. **Implement an action plan**—It is necessary to then implement the plan of action to close the talent gap. The plan of action may involve further training and development of current talent or it may require recruitment.

Talent identification meeting tip

When conducting a talent identification meeting with executive teams, it may be useful to invite the head of strategic planning or whoever is most familiar with the organization's critical strategic business goals and objectives. Many times the presence of this person will bring into the room a different and knowledgeable voice about the type of talent needed. The goal is to have as robust a discussion as possible with the executive team about the type of talent the organization needs, and anyone who can help reach this goal should attend.

Help the Executive Team Think Differently about Whom to Recruit

There was a time when talent was recruited into an organization directly following graduation from school or college. The person recruited could expect lifetime employment and might move through a series of jobs at the same company before ultimately retiring. Many of the senior executives in organizations today have had careers that followed this pattern. However, more and more organizations are confronted with business challenges that result in the need to bring in talent at various stages of the typical career pattern.

Some of the talent an organization may need to recruit may be at the beginning of their career, others in the middle, and still others at the end. Some organizations are recruiting talented persons who have "retired." The senior HR professional needs to make sure that the executive team understands that the process of recruiting individuals who may be at different stages of their career requires different recruiting and reward techniques. A fresh college graduate may be easily recruited because of the learning and mentoring aspects of an organization. Someone in the middle of a career may be interested in joining an organization because of the authority and responsibility that may be offered in the new position. Individuals at more advanced stages of their career may be most effectively recruited because of the autonomy and work schedule flexibility they desire at this stage of their lives. The senior HR professional should help the senior executives understand that a company will be more successful at recruiting if the character of the organization is capable of appealing to a range of persons who may be at different stages of their careers.

Help the Executive Team Think Differently about Where to Recruit

Hiring the right talent for the strategic business tasks that lie ahead of the organization may require the senior executive team to think differently about where to recruit. One of the roles the senior HR professional should play is helping the executive team take the broadest possible approach to the recruitment channels into the organization. In some instances, cultivating this mindset about recruitment will also have the added benefit of addressing diversity issues.

Some organizations are stuck in a rut when it comes to where they recruit, whether they admit it or not. In the United States, at one time, attendance at one of the "Ivy League" educational institutions was considered a prerequisite for senior level corporate success. Many European countries still recruit from only the "grand ecoles" to obtain potential executive talent. Talent exists everywhere and the more successful management teams have no difficulty pursuing it regardless of where it may be found. Demonstrated capability in one or more of the talent characteristics prompting the need to recruit should be the primary driver in deciding to hire someone.

Talent is where you find it

I worked with a company that because of its large size and deep financial resources was able to recruit only the best students from the most prestigious schools. Interestingly, we did a study to determine the college or university attended by our more successful executives. There was a fair amount of surprise when we found that our more successful executives had not necessarily attended the more prestigious schools.

Help the Senior Executives Become Better at Interviewing Talent

It is understood that most senior executives will not be on the front lines of recruiting and interviewing the bulk of the talent that may come into an organization. This process is normally performed by HR recruitment specialists and hiring managers in most organizations. However, every senior executive at some point will likely interview a person who is being recruited into the organization. The higher the position into which someone is being recruited, the more likely it is that an interview with a member(s) of the senior management team will take place. As an adjunct to helping the executive team better understand the recruitment process, the senior HR professional in the C-Suite should also help the senior executives hone their interview techniques.

Why do I say this? Despite the advances that have been made in helping improve interviewing techniques, it has been my experience that a large number of senior executives continue to be very bad at demonstrating mastery of this skill. And that is putting it politely. More often than not, I have found that senior executives believe that being an occupant of the C-Suite in an organization somehow magically makes them skilled at interviewing prospective talent. From my standpoint, there almost appears to be an unwritten interviewing corollary at work in the universe—the higher the rank of the executive, the worse that person will be at using good basic interview techniques.

Over the years, some of the worst interviews I've ever seen have been conducted by some of the more brilliant business executives with whom I've worked. When I was in the executive search business, I was taught some of the common interviewing flaws that seem to always exist. Here are some I remember.

From the outset, the executive may avoid any small talk and go straight to business. This usually adds an air of tension to the interview and may prevent the executive from seeing the true talent being interviewed. Or, at the other end of the spectrum, the executive will use small talk to put a candidate at ease but then never seem to move off of it. In these instances, small talk is all that ever actually takes place. There really aren't any hard questions asked that will provide the executive with the information or evidence needed to make a decision about the particular candidate. Even worse, sometimes the executive ends up doing all the talking.

We've all heard that interviewers often make up their mind about a particular candidate literally within minutes or even seconds of the time the individual comes into the room. What we haven't heard is that this is often accompanied by or the result of the person conducting the interview not bothering to take any notes. At the end of the interview, the executive has a recollection of what took place but no real record. The major problem with this is often the interviewing executive will attribute answers to the candidate that were not actually given. In the search business this was known as a halo effect.

The senior HR professional in the C-Suite, as part of the knowledge transfer about effective talent recruitment and management, will ensure that every member of the executive team is a skilled interviewer.

The Second "R" is Reward

Understandably, the term "reward" in the context of employees of a company or business usually prompts thoughts of money or some other form of financial compensation. As a result, here is something we must get out of the way early in this section. We need to remind ourselves of this well-known observation in the world of human resource management—*money is not always the most effective motivator of performance*. There have been times when I have wanted to line executives up and say to them, "Repeat after me: *money is not always the most effective motivator of performance.*"

The challenge for the senior HR professional in the C-Suite who is committed to helping the CEO and the other senior executives become more skilled in human resource management is to help them have a better understanding of what "reward" is really sometimes all about.

Extrinsic and Intrinsic Rewards

The concept of **reward** is directly tied to **performance** and performance requires understanding the role **motivation** plays. Understanding that both ***intrinsic*** and ***extrinsic*** rewards can have impact should be an important component of any senior executive's talent management toolkit. Many executives focus on the extrinsic reward systems—the pay package and benefits—and view them as the best motivators for performance. Yet we know from academic research that money and other financial rewards are not always the prime motivators for many employees, including those who are the top talent in an organization. When money is important to a top performer it is often less about the comfort and security that the compensation brings and more about the recognition of performance that accompanies it. It is ironic that senior executives focus on giving extrinsic rewards when so many have reached their positions because of their intrinsic drivers that often had little to do with accumulating money.

The Basics of Motivation and Performance

What then are effective rewards that the senior executives can use to motivate performance? The senior HR professional should help the CEO and the executive team to understand that the answer to this question is thought to rest in a theory that is considered fundamental to the development of effective rewards systems: **expectancy theory**. It appears to be applicable regardless of the company or the industry involved. It also seems to be valid across geographic boundaries. It is the theory used most often in attempts to unravel the mystery of what motivates people to perform (or not perform). The purpose of helping the senior executives understand this foundational theory of motivation and performance theory isn't to make them become amateur academic theoreticians. It is to make sure that the senior leadership of the organization fully understands and realizes that it takes more than just throwing money at employees to effectively reward them.

Expectancy Theory and Reward Systems

The academics who are best known for their work regarding expectancy theory in the context of reward systems are Victor H. Vroom[1] and Edward Lawler.[2] There are three foundational elements associated with expectancy theory that can help the CEO and the senior executives understand what influences the effectiveness of rewards and why some rewards work better with some people than with others. The three foundational elements of expectancy theory are:

- **Performance–outcome expectancy**
- **Attractiveness**
- **Effort–performance expectancy.**

Though the three foundational elements were identified in academic works, we are all somewhat familiar with them in practice. Performance–outcome expectancy, for example, is what is taking place when we see athletes or others in the gym who may say to each other, "No pain, and no gain." In other words, the person exercising is willing to put in the effort, or performance, of lifting the weights or running laps because there is the expectancy there will be an outcome in the form of bigger muscles or a flatter stomach. Simply put, **performance-outcome expectancy** is what happens with all of us who in effect say to ourselves, "If I do this, I'll get that."

Attractiveness is what it implies. How attractive is something to a person. Vroom used a more technical term in his work—"valence"—or value that someone may place on something. Again, we have all had practical experience with the theoretical concept of attractiveness or valence. We know that some things have more attractiveness, or value, for some people than for others. I have friends and neighbors, for example, who would consider going to Hawaii the trip of a lifetime. On the other hand, I could not care less about the palm trees and beaches there though they are, in fact, beautiful. Give me the energy and excitement of New York, London, or Paris any time. A trip to Hawaii as a reward has very little attractiveness for me.

The third foundational element of expectancy theory is **effort–performance expectancy**. In my thinking, this is probably the most complicated of the three foundational elements because it involves probability. Let's go back to the exercising in the gym example we just discussed. If I run five miles in an hour on the treadmill (*performance*), loss of weight (*outcome*) is the *expectancy*. However, I know that if I run even faster, let's say ten miles in an hour, I would lose a remarkably greater amount of weight. However, here's where effort–performance expectancy comes in. I think the likelihood, or probability, of my being able to run for an hour at a six minute per mile pace for ten miles is extremely low. Even if I put forth the *effort* to try to run the ten miles in an hour, my actual *performance* of the task isn't really *expected*.

Now let's pull this together as far as what it means for the reward system of an organization that is intended to motivate people to perform. As expressed by Lawler,[3] essentially it means that the motivation to perform is optimized when the following conditions are present:

- *People believe that if they put in a certain effort certain outcomes will take place (performance–outcome expectancy).*
- *The individual feels that these outcomes are attractive.*
- *The individual believes that performance at a desired level is possible (effort–performance expectancy).*

Some Tips for Senior Executives about Rewards based on Expectancy Theory

Over the years, I have developed my own formulation of what expectancy theory means in practice as far as motivating and rewarding employees.

- ***Always be willing to pay for performance***—There is a certain amount of money that any employee in an organization expects to receive as compensation for the effort they put forward. If an employee puts forth additional effort, that person expects an appropriate additional reward. People get really upset when they believe they have not been rewarded for their extra effort. And people "go ballistic" when they see others receive the same reward for what is, in their mind, less performance. "Pay for performance" therefore should be expressed as the organization's standard way of doing business when it comes to rewarding employees.

- **Money alone will not always get more performance**—For some employees, the payment of additional money alone as a reward is not always sufficient, or attractive enough, to induce the additional effort or performance that managers may want. All of us, from the machine operator on the shop floor to the senior vice president in the C-Suite, make value calculations about the reward we will receive for the effort we are expected to expend. To put it bluntly, if we don't think it is worth it, we usually won't do it. For many employees, what often makes it worth it is some form of recognition that does not have to be monetary.
- **If the "vision thing" has not been adequately done the proposed reward may not matter**—Employees have to believe the conditions are present for them to have a "fighting chance" to achieve what is expected of them regardless of the reward. Employees will put forward effort if they have confidence in themselves and their managers. They need to have had past successes at difficult tasks and need to be inspired to expend the additional effort.

The shiny new car

A friend and I had lunch one day and reflected on our days working together as expatriates in the UK. We reminded each other of some of the benefit differences we remembered between what we were accustomed to in the USA compared with what was important in the UK. The perquisite that we most remembered was the company car. In the United States, unless you were a sales person for a company, being provided a car was a rare event. In the UK, at the time we worked there, being provided a company car was an important element of compensation. The salary group system that we employed in the UK enabled managers to become eligible for a company car once they reached salary group 16. We both commented to each other that some of the most highly motivated employees we remembered were those who were at salary group 15. Some of these employees did all they could to get that next all important promotion that would put the shiny new car in their driveway.

The senior HR professional in the C-Suite can greatly assist the members of the executive team by increasing their understanding that effective rewards for employees vary from the very tangible—the company car or cash bonus—to the ephemeral—an appreciative nod at the conclusion of a well-prepared presentation. The executive teams needs to set the expectation that the managers throughout the organization will focus on the right levers of motivation to obtain desired performance.

The Third "R" is the Retention of the Human Resource

Retention or the ability to retain talent is as important as being able to recruit it into an organization in the first place. The importance of being able to retain talent is somewhat obvious. What good does it do the organization to spend the time and effort to identify and then recruit talent if in a relatively short period of time that talent leaves and goes to work for the competitor across the street? The senior HR professional in the C-Suite should make sure the CEO and other senior executives understand the common causes of most issues associated with retention and what can be done about it.

Help the CEO and Senior Executives Understand Why Good Employees Leave

Senior executives understand the concept of risk management particularly as it applies to the operations of the company. It is important that the senior HR professional in the C-Suite assist the CEO and other senior executives apply the concept of effective risk management to the problems of retention of talent. A basic human resource risk management issue that most companies are likely to confront is the unexpected loss of skilled talent in a key position. It is the "unexpected" aspect that can be lessened by application of a few risk related questions that can be tied to observations. Ultimately, the senior HR professional can assist the executive team in the development of a risk matrix for key positions.

Unfortunately, some employees involuntarily leave an organization because of poor health or disability. Others leave when the company asks them to, usually because of performance or another justifiable "for cause" reason. These are not the employees whose departure often perplexes management and leads to the question, "Why did this good employee leave?" At first glance, the reasons given by the departing employee seem to make sense—more money, better position, less commuting time, and the like. Despite the ostensible reasons, it could be argued that in most instances the real reason talent leaves an organization usually comes down to a very simple fact—*the person wanted to leave the organization*.

There are plenty of examples of employees who have informed their company of the salary to be received at a new company who have had the offer matched or exceeded by the current employer. More often than not these employees still leave and if they stay it usually isn't for long. There are employees for whom the company may have been willing to make accommodations such as a reduced work week or telecommuting. A quick root cause analysis approach to the question requires us, of course, to instead ask another important question, "*Why did the person want to leave the organization?*"

Today, it is easy to find books and magazine articles or blog pieces that give the top five, or the top seven, or the top ten reasons why good employees leave depending upon the author's perspective. All of these authors, in my opinion, are expressing a valid point of view. Leigh Branham, for example, wrote a book about the seven hidden reasons employees leave.[4] The author lays out the following reasons:

1. The job or the workplace was not as expected
2. There is a mismatch between the job and person
3. There is little coaching and feedback

4. There are too few growth opportunities and advancement opportunities
5. Workers feel devalued and unrecognized
6. Workers suffer from stress due to overwork and work life imbalance
7. There is a loss of trust in senior leaders

I would not argue with a single point made on this list. But, if I were asked to come up with the top three reasons employees leave, based on my experience, I would whittle the list down to the following:

1. There is little coaching and feedback.
2. Workers feel devalued and unrecognized
3. There is a loss of trust in senior leaders

Again, this is not to say all seven reasons are not valid. They are. However, my contention is that a very large number of people walking out the door could be stopped if the senior HR professional in the C-Suite were able to get the CEO and senior executives to take ownership of making sure that these three issues were addressed. Obviously, the CEO and the other senior executives have a great deal of control over whether or not members of the organization maintain trust in them. Eliminating the other two causes on my abbreviated list—lack of coaching and feedback and lack of feeling valued and recognized—is directly linked to the quality of supervision present at various levels in the organization.

If asked to further whittle down the above list and come up with the main reason most good employees leave, I would probably make explicit something that is implied in the list of reasons why good employees leave.

- Many times, the departure of good employees can be traced directly to the relationship the employee had with their boss.

In my admittedly unscientific estimation, the members of the C-Suite could eliminate 80 percent of the unwanted departures of good employees by making sure that the relationships between good employees or star performers and their bosses were monitored and addressed. More often than not individuals leave a job because of difficulty with their boss or supervisor. Yet little is done to analyze or identify the risk that exists in losing a high potential employee because of the boss or supervisor relationship that may be negative.

More often than not individuals leave a job because of difficulty with their boss or supervisor

Use simple predictive modeling

Identifying where a company may be at risk to lose talent does not require an application of rocket science. Most organizations know who the better performers are. And most organizations know who the stronger managers and supervisors are. It is a relatively simple process to identify the potential cases of risk of departure by identifying those instances where talent is matched with less than strong supervision. This is a basic type of predictive modeling that I wished I had done more of when advising senior teams on how to reduce the loss of star performers.

Coaching and Feedback

I will hazard another unscientific "80 percent guess." If 80 percent of the problems with retention can be ameliorated by addressing the relationship between good performers and their bosses, 80 percent of any boss–employee relationship problems would probably be eliminated if the boss were better at coaching and giving effective feedback. Almost all employees appreciate hearing a candid and honest assessment of their performance. This is often especially true for high performers who, ironically, may sometimes not be given extensive feedback because they are doing a good job. For good performers, this sometimes results in the three-minute performance discussion that goes along the lines of, "You are doing a great job. I really don't have much to tell you. Keep up the good work." High performing employees often choose to stay with or leave companies because of the quantity and quality of feedback they receive about their performance.

Dutch courage

I once had a particularly difficult HR team member to whom I had to deliver a very frank performance and development assessment. The employee was disappointed at not being higher placed in the HR organization and actually thought a better personal fit would have been in a senior position in our marketing department. The marketers were insistent that the employee did not have the right set of skills for a job with them and I agreed. The employee's self-assessment was unrealistic but strongly held. Frankly, I was nervous about the performance discussion because "prickly" did not begin to describe this employee's personality. However, I decided that it was in the employee's best interest and the best interest of the organization that my assessment be delivered. I felt the employee needed to understand what had to be corrected before any further job advancement could take place. I made notes of the points I wanted to be sure to cover. I wanted a roadmap for the discussion or we were likely to go off on a variety of emotional tangents.

The discussion took place, and as I had anticipated, it was a very difficult one. The employee disagreed with just about every observation and performance assessment I gave. However, each time the employee disagreed I was able to give specific examples as the basis for my assessment. At the conclusion of the discussion, I saw the employee leave my office and head into the office of my boss, the CEO/general manager of the affiliate. About 20 minutes later, the CEO asked me to come into his office.

The CEO started the conversation by letting me know the disgruntled employee had just left. The CEO then asked me how the performance discussion went. I told the CEO it was one of the toughest I had to give. I told the CEO the employee was upset and not particularly pleased with what I had said. According to the CEO, the employee was, in fact, very upset with the assessment and my observations. The employee had told the CEO the points of disagreement with what I had said. The CEO then told me the employee had said that, while there was virtually no agreement with my observations, it was the best performance assessment the employee had received since coming to work at the company. The CEO then wryly said to me, "I guess you better help the rest us be able to do the same thing."

I took a couple of lessons from that experience. One important lesson was that all of us ultimately appreciate and want candor if it is respectfully given, even when we don't like the message. The other lesson was that preparation is essential for any feedback discussion and especially those anticipated to be difficult or contentious.

The Fourth "R" Is Retirement

The word "retirement" in the context of work almost always brings to mind the process of ceasing active employment and financing living expenses through receipt of a company pension or from the proceeds of some other form of retirement savings. That is what a great number of people think of when they hear the term "retirement." However, it doesn't take much mental prodding for us to be reminded that a broader meaning of the word retirement is "to withdraw from service." It is this broader definition that we should have in mind when we discuss the fourth R—retirement—as one of the basic processes of talent management. Granted, the need to "retire" a human resource that has been acquired, deployed, rewarded, and retained for a period can be prompted because of attainment of normal retirement age. But on many other occasions "retirement" of talent also takes place for reasons not at all related to age.

Help the Senior Executives Understand that Retirement Is an Integral Part of Resource Management

It may not sound very empathetic, but the reason why the process of retirement is needed in the management of any resource is very simple—*nothing lasts forever.* No employee is immortal, so there must be a process to address the eventual decline and withdrawal of employees because of age or incapacity. Unfortunately, even in the case of younger employees not everyone will consistently meet the minimum performance needs and expectations of the organization. The organization must be able to retire (involuntarily terminate) talent that falls into this category.

Business circumstances and conditions often change. Usually, in response, so must the numbers and type of human resources that are employed also change. This may lead to the need for selected or group involuntary terminations that are not related to individual performance. And, as difficult as it may be to admit, there are occasions when "bad apples"—persons who break company policies or commit serious infractions or crimes—must leave the organization.

Help the Executive Team Understand that Retirement of Talent Doesn't Always Mean "Retirement"

All of these cases call for a form of the human resource's retirement, or withdrawal from service. The senior HR professional in the C-Suite should help the senior executive team understand the importance of acting decisively and expeditiously in the case of these various forms of talent retirement:

- *Traditional age related retirement*
- *Individual involuntary termination—performance related*
- *Individual involuntary termination—not performance related*
- *Individual involuntary termination—for cause*
- *Group involuntary terminations*

Effective retirement of human resources, of course, requires close attention to all the applicable employment laws and rules and regulations. More importantly, it requires the adoption of a management mindset that recognizes that organizations and individuals are subject to the concept of a life cycle. For all of us, there comes a time when we should move on or be replaced. Ideally, the transition takes place without acrimony or unpleasantness. Many times, it may not. Regardless, the act of retiring human resources should not be viewed as an intrinsically negative occurrence.

Helping the senior executives focus on making sure that the right types and numbers of resources exist in the organization is key.

Help the Executive Team Understand that Using Traditional Retirement to Refresh the Organization Has Gotten a Lot More Difficult

All organizations that wish to survive longer than the average life expectancy of the youngest member must have a process for the eventual orderly retirement of current members so that new members may join and refresh the organization. This was accomplished by companies for decades through the operation of a traditional defined benefit pension plan. However, things have changed. Many companies have eliminated the traditional defined benefit pension plan. In effect, these companies have placed the responsibility (and the risk) of investing for a secure retirement on employees through an emphasis on defined contribution savings plans.

Many senior management teams need to be reminded that "there is no free lunch." In other words, the shift of pension risk away from companies, the reduced use of traditional pension plans, coupled with the drastic erosion of retirement savings from the global economic downturn of recent years, means more and more employees are opting to work longer and longer. And, these employees are increasingly healthier and living longer. The senior executive team of any organization needs to realize that normal retirement is no longer a process that will automatically provide as many opportunities as before to bring in new talent to refresh the organization.

Finally, Help the Senior Executive Team Understand the "Connectivity" of the 4Rs

The words "organism" and "organization" have a common root. As is the case with an organism, an organization is alive and constantly in a state of change and evolution. The life system of the organization consists of the processes of recruitment, reward, retention, and retirement—the 4Rs. The senior HR professional who helps the CEO and the executive team master the 4Rs is helping them better manage the complex and challenging nature of the organization.

It is easy to think of the 4Rs as distinct elements that stand on their own. As mentioned earlier in this chapter, it is also easy to mistakenly think of the 4Rs as sequential. However, for the organization as a whole, all the 4Rs are at play at any given point in time. Someone may be recruited in one part of the organization, while someone in another part may be in the process of retiring. Efforts to retain an employee may be underway while another employee is being terminated for cause. There is a balance and equilibrium that must exist within the elements to enable the system to function effectively. The organic nature of the 4Rs also means they are very much connected. For example, it is difficult to retain an employee who does not feel adequately rewarded. It is hard to recruit new employees if the company seems never to let anyone go.

If we return to our aviation comparison made earlier, it has been said that successfully flying an aircraft is often all about a constant series of small corrections to little mistakes, and the avoidance of any really big ones. No single element of the 4Rs will always function perfectly. The CEO and senior executives, with the help of the senior HR professional in the C-Suite, will always need to monitor and, hopefully, make only small corrections to the efforts to effectively recruit, reward, retain, and retire employees. The proficiency of the senior executive team at understanding, monitoring, and using the elements of this interconnected system is what will ultimately help keep the organization aloft.

chapter 6

Succession Planning—How to Be an Honest Talent Broker

One of the most important contributions a senior HR professional can make in the C-Suite is help ensure that discussions and decisions about who will move ahead in an organization are frank, open, and honest. This is particularly important when the position is at the senior level of the organization, including the executive team. While it is important that the right people are in the right jobs at all levels of an organization, the person who goes into a senior level job can often impact the strategic direction, operation, and success of the entire enterprise.

In many organizations it is common to think of succession planning and leadership development as key components of an organization's talent management process. And at many organizations the talent management process is firmly in the world of HR. For many HR practitioners, succession planning and leadership development process is what HR is all about. At one company in which I worked, the succession planning and leadership development process was referred to as the "career development process." The focus of the process was on the key jobs that needed "ready replacements" and the ideal progression that selected executives should make as their career was developed.

There were forms that had to be filled out by managers. We had large binders that were filled with job summaries and pictures of executives who were considered stars. We met with senior executives annually to go over the material we had in the large binders. Careers in the HR function of this company were made or lost if a page of the binder was discovered out of place or missing during the session with the executives. We had lots of process and activity but I am not sure we were actually always honest with ourselves about why certain individuals were selected to move up in the organization. On some occasions, we were victims of a tick box culture. We had lots of paper pages and charts we produced that were colorful and well done. But the filling out of forms and the creation of slick looking charts isn't succession planning or talent management.

It is Social Even if It Is Called Business

Businesses are sometimes thought of as purely analytical and objective organizations. (Some would include "heartless" as a descriptor for the modern day company.) The word "business" can be problematic when it comes to certain issues. The word often obfuscates the social nature of many of the activities and processes associated with what is considered a part of business. All organizations, including those that we refer to as "businesses," are made up of people. Any organization—from the large multinational profit-making behemoth to the 20 person parent teacher association at a child's school—is essentially a collection of people focused on certain objectives and goals. The people factor, with all the complexity that accompanies it, is almost always at play during the process of deciding who will move ahead in an organization and become a senior leader.

"Footsteps of the Father"

Succession planning and leadership development in a corporation is the modern-day variation of a process that has been in operation for centuries, namely determining if someone is a worthy successor and then putting the selected person on a path to take over the reins of the entity. In a way, succession planning and leadership development is part of the sociology of work and business and can be impacted by what I refer to as the "footsteps of the father" dynamic.

Prior to industrialization, the children of a farmer, for example, would naturally follow in the footsteps of the father and would begin to assist in farm duties at an early age. Once old enough, the child might take a spouse and strike out on their own and, more often than not, also become a farmer. Many times, the child became a farmer beginning with a parcel of land handed down from the father or by inheriting the family farm. As we moved away from being primarily an agrarian society, the "footsteps of the father" social convention still continued in the industrial setting.

Industrialization brought factory, mining, and manufacturing jobs that over the years eventually provided good wages. It became common to have sons (and much later daughters in very limited numbers) follow in the footsteps of their fathers into the same factory, mine, or some other place of employment to also benefit from the good wages. The understandable driver behind this ongoing process was simply the pursuit of improvement in life. Jobs would often go to other relatives. In the United States, the closed nature of most of the skilled trades where membership is passed down from father to son or close relative or friend of the family is a phenomenon that has existed for many years and continues today. Minorities and women often continue to be excluded from these jobs.

While most publicly traded business organizations have policies and procedures that prevent blatant nepotism, a dynamic similar to that of "footsteps of the father" often exists when it comes to career development and succession planning in the executive ranks. (I am intentionally leaving privately held or family run businesses out of this discussion.) When senior executives are thinking of potential replacements for key positions, they will sometimes unwittingly look for surrogate sons (and now occasionally surrogate daughters, though this occurs much more rarely), to follow in their footsteps into key positions that will ultimately lead to a seat at the executive table in the C-Suite.

Minimizing the Social Dynamics

Most organizations think of themselves as "meritocracies" where only the best rise to positions of senior leadership purely on the basis of merit.

Granted, the individuals who are in senior leadership positions are usually very skilled and very talented. However, it is unrealistic to ignore that a social component contributed to their respective success in an organization. All managers have social biases even if they may be considered benign. These biases may sometimes creep into and influence the conduct of the processes designed to assess and evaluate the talent in the organization.

All managers have social biases even if they may be considered benign

I am not advocating that the senior HR professional attempt to totally eliminate the social dynamic from the succession planning and leadership development process. I am not sure that would be realistic advice. Many social drivers can impact the succession planning process. The school that an individual attended or the background and social status of one's parents or other relatives, athletic accomplishments or ability, gender, ethnicity can all impact how someone is viewed in career development and succession planning discussions. However, an important duty of the senior HR professional in the C-Suite is to make sure that the social aspects at play in any organization life don't dominate the succession planning and leadership development process and make it unfair.

The long flight test question

In recognition of the social aspects that can affect career progression, Ken Perkowski, an independent consultant and executive coach based in Northern Virginia in the United States, has developed a hypothetical question he asks of many of the executives he coaches. He asks, "If you and the CEO of your company were on a long flight together to visit one of your facilities overseas, or to attend some other business event, for example, do you believe the CEO would want to sit next to you for the duration of the flight? Why or why not?" Ken uses this hypothetical question to get executives to focus on their interpersonal skills and understand that the social factor can impact career mobility.

Potential Pitfalls

The senior HR professional in the C-Suite needs be aware of the impact of the social dynamic and how it can affect efforts to make sure the best talent is deployed in key positions in the organization. Difficulty for the organization can arise on several levels when the social dynamic dominates the succession planning and leadership development process.

First, while a "promote someone like me" approach may appear to perpetuate the perceived strengths of the current roster of senior executives, it has the risk that the leadership's weaknesses will also continue to permeate the organization if individuals cut from the same mold are the only persons promoted. Second, the benefits of a diverse workforce are usually not fully realized by organizations that do not take an objective approach to the career development and succession planning process. Finally, the succession planning and leadership development decisions that are dominated by the social dynamic can impact what takes place in a business many years down the road and can have far reaching negative consequences.

How to Keep the Process Honest

The most efficient organization will be one in which the more skilled talent is not prevented from positions of leadership because of inappropriate influence of the social component. As stated earlier, the social component will always be there—we are dealing with people. However, the job of the senior HR professional in the C-Suite is to help the executive team apply an unbiased career development and succession planning system with the greatest degree of focus possible on the strategic needs of the organization.

Beware of Clones

In many respects, it is very understandable that a senior executive would look for someone like them to hold jobs similar to the ones they held and before moving into the senior ranks. Many senior executives believe that replicating past patterns of success is the best way to ensure future success. This leads to a succession planning and leadership development process that may have the effect of developing "clones" rather than the potential leaders the enterprise needs to be successful in the future.

Over the years, I have heard the phrase, "He is a really good guy," used countless times during career development and succession planning discussions. If there was ever a phrase that was begging for the retort, "What does that mean?" it is this one. I eventually started to ask that question whenever the phrase was used in career development discussions I attended. The answers that I got from the executives I questioned, no matter how long or short, rambling or articulate, were basically the same. In other words, when I analyzed the response, the executive was in effect saying, "This is a person like me—someone who can do what I have done or more."

Help the Executive Team See the Process Differently

Earlier in this book we discussed the importance of the senior HR professional helping the executive team to see so called HR processes as business processes. The succession planning and leadership development process, in my opinion, definitely falls into this category. An effective succession planning process is no different than any other major business process. To aid in the success of the process all members of the C-Suite should have a clear understanding of the process mission:

- What is the purpose of the succession planning process?
- Why is succession planning important?
- Who is the owner(s) of the process?
- Who is covered by the process?
- What are the goals of the succession planning process?

With all the anxiety and activity and "busy-ness" associated with the career development process run by HR at my former employer we never focused on what I now understand is at the heart of an effective succession planning leadership and leadership development process. The succession planning and leadership development process needs to be considered by the executive team as a business process that is a key element of enterprise risk management. Later we will discuss some of the specific risks that should be addressed as part of the succession planning and leadership development process.

Focus on Positions First

One technique that I found helpful in underscoring to the executive team that the succession planning and leadership development process was a business process was to schedule interviews with each one of them individually that focused only on positions. This exercise should be used to reinforce to the members of the executive team that HR is there to help them understand what is needed to run the business. *A key in the process of making sure the succession planning and leadership development operates honestly without too much of a social dynamic is making sure that the discussion is first oriented toward the positions without consideration of the current incumbents.* Aside from the succession planning and leadership development information that can be obtained, the one-on-one session will give the senior HR professional an opportunity to increase the knowledge of the executive's organization and underscore HR's role as the glue that helps the cohesiveness of the executive team.

Start with the CEO

The conversations can begin with the CEO, who should restate the strategic direction of the business and the key positions that will be needed. The CEO should be asked to discuss the positions that are direct reports. (Later, we will discuss a collective succession planning and leadership development session with the CEO and the other members of the executive team. For obvious reasons, a lot of the information that will be gained that concerns the CEO's direct reports is intended for discussion with the board and not in the collective executive team session.)

To help facilitate the discussion a series of very simple and straightforward questions can be used. The purpose of the questions is to paint as clear a picture as possible of what will be the needs of the organization. The following questions can be used to stimulate discussion:

1. Do you see any of the positions that currently report to you being eliminated in the next three to five years? Why?
2. Do you see any new position(s) reporting to you? Why?
3. If there is/are a new position(s) that will report to you, will the position be filled by someone from inside the organization or will it be necessary to recruit from outside the organization? Why?
4. Do you see any change in the current incumbents in the positions that report to you in the next three to five years? Why?
5. If there is a change in the current incumbents, will the replacements for these positions come from inside the organization, or will there be a need to recruit from outside the organization? Why?
6. Which one of these questions is the most important right now?

The questions are open ended and intended to generate discussion. The template of questions can be used in discussions that should then be held with the other members of the executive team. The questions should be provided to the CEO and the other senior executives beforehand.

The discussions with the members of the executive team should take place in their offices and should be one-on-one. A current organization chart and a simple pad of paper and a pen or pencil is all the equipment that is needed for the initial discussion. Ultimately, the information from these sessions with the executive team will be supplemented with the more detailed data that exists on the positions and the incumbents. The material is formatted for discussion with the executive team in a collective session and will be the foundation elements for succession planning discussions with the board.

Cut the Bureaucracy

The succession planning and leadership development process in many organizations is like the one I described earlier—very process intensive and often very bureaucratic. I have found that senior executives often resent the time that the completion of forms may take even if now electronic.

However, I have rarely had a fellow senior executive who was too busy to see me if I indicated I wanted to come by and have a conversation about the key positions and performers in their organization.

The more bureaucratic and burdensome the process surrounding succession planning the less likely it is to be embraced by the executive team as a useful tool. Over the years, I've told CEOs and senior executives that in my experience it doesn't matter if a succession plan is written on the back of a coffee stained envelope as long as it is likely to be used in the event a vacancy occurs in one of the positions the plan covers.

Risk Management and Succession Planning and Leadership Development

Ultimately, effective succession planning and leadership development is intended to make sure that the organization continues to function as a healthy entity. Obviously, this should be a high priority for any organization. The vast majority of organizations understands and acknowledges the importance of succession planning and leadership development. Some years ago, as a member of the Corporate Leadership Council, I was provided a copy of a study[1] that showed over 90 percent of the organizations that participated in a survey regarding succession planning indicated that it was a very important high priority process. While over 90 percent of the companies indicated the importance of the process, surprisingly only 6 percent reported confidence in their existing system to actually result in helping guarantee that they will continue to have strong executive talent.

Ultimately, effective succession planning and leadership development is intended to make sure that the organization continues to function as a healthy entity

Succession Planning and Leadership Development Risks

Earlier, we discussed the importance of making sure the executive team viewed succession planning and leadership development as part of the enterprise risk management process. As part of the Corporate Leadership Council study, a summary of the key succession planning and leadership development risks that all good succession planning systems should address were identified:

- **Vacancy risk—**This is the risk that critical positions are not filled.
- **Readiness risk**—The extent to which successors for senior positions while identified are not yet ready to go into the position.
- **Transition risk**—The degree to which the organization succeeds in assimilating senior talent from outside.
- **Portfolio risk—**The degree to which the organization can guarantee it has deployed its executive talent for maximum leverage against strategic priorities.

The senior HR professional in the C-Suite should, of course, focus on making sure that all the potential succession planning and leadership development risks that an enterprise may face are ameliorated. However, the honest broker role the senior HR professional in the C-Suite should play will likely mean concentrating on making sure the executive team is honest with itself in the assessment of **readiness risk** and **portfolio risk** to the enterprise.

Beware of the "Herbert syndrome"

One major problem with many succession plans becomes apparent when a vacancy arises and the executive team is reluctant to put into position the individual or individuals listed as "ready replacements." This is, in effect, one of the very best tests to show if a company's succession planning process is real or if it is just an exercise in paper and forms. I was once involved in a succession planning exercise in which I had collected information on key positions in this organization and the ready replacements. When I sat down to array the information on a large spreadsheet I noticed what I now call the "Herbert syndrome" For almost every one of the 15–20 key positions in this organization a very capable employee whose first name was Herbert was listed as the number one or number two replacement choice.

While it illustrated that Herbert was a skilled and well-rounded employee who could take on a variety of roles, it also highlighted the lack of bench strength and depth throughout the organization. Had Herbert left the company or if more than one vacancy had arisen there was likely no real replacement for any of the key positions. This led me to have a discussion with the CEO and executive team with a focus on development of talent in the organization who could become ready replacements for the key positions over time.

Some Words about "Diversity"

Business leaders, social activists, academics, and human resource management professionals throughout developed economies continue to express frustration about "diversity and inclusion" efforts. Interestingly, the expressions of frustration still take place despite the existence of diversity programs at many major international corporations for a number of years. There is an abundance of research and writing on the issue of workplace diversity that now goes back several decades. There are consulting firms that specialize in the subject of diversity and diversity practitioners who have written hundreds of articles and dozens of books on the importance of adopting programs to "enable all employees within an organization to feel valued and contribute to the success of the enterprise," or, inevitably, words to that effect. Yet the frustration with the lack of success of many diversity and inclusion programs in the business community persists.

I will be the first to admit that the world of diversity can sometimes be fraught with opinion, frustration, and emotion. However, the senior HR professional who acts as an honest talent broker can't ignore the issue of diversity in discussions about succession planning and leadership development.

The Often Misunderstood Meaning of "Diversity"

Many of today's corporate "diversity" programs were initiated in the early 1990s. Many companies recognized the importance of programs to including minorities and women in their organizations before this timeframe. Many businesses in the United States took note of the subject following publication of a report by the Hudson Institute titled *Workforce 2000*,[2] in June 1987—now more than 25 years ago. The study was the result of a contract with the US Department of Labor. As the name clearly implied, the report outlines the findings of a study undertaken to project the character and demographics of the workforce in the United States in the new millennium. Among other findings, the study indicated that the future US workforce would have increased numbers of women and minorities, or in other words would be more diverse.

It didn't take long before the term "diversity" was synonymous with women and minorities in the minds of executives and HR practitioners. The senior HR professional of course needs to make sure that the succession planning and the leadership development process doesn't exclude women and minorities. However, in my opinion, we all should probably embrace a different understanding of what diversity means. This is particularly true when it comes to the senior HR professional who is attempting to be an honest talent broker in the succession planning and leadership development process. I believe the work of one of the pioneers in the field of diversity gives us a concept of the term that is on track.

Lessons from Dr. Roosevelt Thomas

It is now almost a quarter of a century ago that the late Dr. R. Roosevelt Thomas, Jr., a leading American authority on diversity and inclusion, wrote and published in the Harvard Business Review his ground breaking article, *From Affirmative Action to Affirming Diversity.*[3] Published in March 1990, Dr. Thomas's article was prescient in addressing the fundamental principles that in the 1960s led to the adoption of affirmative action in the United States and alerting us that those principles would no longer continue to be the bedrock of the socio-business approach.

In his 1990 article, Dr. Thomas stated, "I have seen that the realities facing us are no longer the realities affirmative action was designed to fix." He went on to write, "To begin with, more than half the U.S. work force now consists of minorities, immigrants, and women, so white, native- born males, though undoubtedly still dominant, are themselves a statistical minority. In addition, white males will make up only 15 percent of the increase in the work force over the next ten years. The so-called mainstream is now almost as diverse as the society at large." With the clear eyed observation reflected by the phrasing of those simple words, Dr. Thomas was making all of us aware that, whether we realized it or not, we had to move on from the period of affirmative action, and all that it entailed, and embrace and respond to the new reality of the concept of diversity.

Dr. Thomas was likely building on the work of the Hudson Institute referenced earlier that put America on notice regarding the impending shift in the demographics of the country's population and the probable impact that on the nation's governmental, social and business institutions. At the time the Hudson Institute study was published, many scholars and social scientists probably had difficulty immediately grasping the full ramifications of the study regarding the new demographic reality that lay ahead. For others, it provided the opportunity to reinforce the need to strengthen America's affirmative action efforts. With courageous wording that may not have been popular at the time he wrote it, Dr. Thomas made the point in his article that affirmative action, in practice, often involved a focus on one group that to many employees meant that someone was playing "fast and loose" with standards to favor that group. Per Dr. Thomas, "We have to learn to manage diversity—to move beyond affirmative action, not to repudiate it."

Diversity Means Everybody

Dr. Thomas made it abundantly clear that, in his view, this broader and more expansive approach to diversity management meant that the often denigrated American native born white males, who were considered to have made up the heretofore mainstream of the American social and business fabric, had to be included in the operation of this new paradigm of diversity management, even if this group appeared to have had an ax to grind when it came to opposing what had been the initiatives of affirmative action. While Dr. Thomas's work focused on the situation and circumstances in the United States, I believe there are lessons that are applicable worldwide. Diversity includes everybody. Senior HR professionals in the C-Suite should work to make this a reality in their organizations.

How to Conduct an Effective Session with the Executive Team

Earlier in this chapter, we discussed the importance of conducting individual succession planning and leadership development sessions with each member of the executive team. The one-on-one sessions with the members of the team, using a set of predetermined questions, are designed to help foster a structured conversation first about the outlook on senior positions and then the incumbents and possible replacements for those positions. Eventually, the data generated from those sessions along with other information—organization charts, position descriptions, job histories, and the like—become resource material for a collective succession planning and leadership development session with the executive team.

The Importance of the Collective Session

The collective succession planning and leadership development session with the CEO and the other members of the executive team is important for several reasons.

- **It is where the rubber meets the road as far as succession planning and leadership development for senior positions.** In a sense, without a session in which the CEO and the executive team agree on and decide who are the best persons to go into key jobs and what needs to be done to prepare them, the process can result in nothing more than well intentioned talk and some completed forms on the shelf.
- **It reinforces that succession planning and leadership development is a business process owned by the executive team.** In the

same way that the executive team may meet to collectively decide on other important business issues such as what might be the best capital investment project to fund, or what strategic acquisition should be made, the team needs to collectively decide and own the process of choosing the probable leaders of the future for the enterprise and agreeing what needs to be done to prepare them.

- **The collective session provides an opportunity to challenge each other on what type of leadership is needed in the future and the employees who have been identified as "high potential."** It is one thing if one of the members of the team identifies an employee as high potential with the leadership traits needed for the future. (We discussed earlier how the social dynamic can impact the assessment of potential.) It is another thing altogether, and usually more credible, if most of the team endorses that person as someone with high potential.
- **The leadership development of an individual may require movement between business lines.** It is easier to facilitate the movement of an individual from one function to another when the entire executive team endorses this as a collective decision rather than something only the CEO or another executive believes needs to be done.

Start the Session with the Strategic Big Picture

The importance of knowing where the business is going and what will be needed in the future in the position under discussion becomes very apparent in the succession planning and leadership development discussion. Put very plainly, many organizations have got to where they are with the executives and the talent they have but may not have the right types in the right places to get to where they need to go.

Make Sure There Is Candid and Frank Dialog among the Executive Team

In the more successful succession planning discussions there is usually an executive who is the champion for a person in terms of their potential and the possible positions for which the person may be considered a replacement. The senior HR professional as facilitator should make sure that team members who may hold a different view about the person don't remain silent. If the team operates with positive conflict resolution skills an honest discussion is more likely to happen. Team members should be encouraged to express counter views about persons under discussion. The role of the CEO in these discussions is also pivotal. There have been occasions when I have suggested that I work with the other members of the executive team without the CEO present to make sure the group does not shape the discussion on candidates based on what the CEO may think.

Identify Incumbents Who Represent the Gold Standard

One tool that can be of help in succession planning discussions is the concept of the "gold standard" (though platinum is probably more in vogue). This technique attempts to get the executive team to acknowledge that an individual represents the gold standard in terms of competence and performance in a particular position. Making sure there is agreement among the members of the executive team that this person does in fact represent the gold standard provides the basis for future discussion about other persons. The discussion should revolve around several questions.

- What does the person do that sets them apart from others in job performance?
- What experience or other jobs did the person have that helped them become the gold standard for comparison?
- Is there anyone who immediately comes to mind as having similar skills and talents?
- What needs to happen from a development standpoint for this person to reach performance similar to the gold standard?

Use the bartender example to illustrate what we mean by competencies

Early on when attempting to understand what was meant by a display of a competence we looked for easy ways to explain the concept to persons outside of the HR organization. As part of our discussion materials we used what came to be known as the bartender example. This involves asking if there was a bartender that anyone in the group had encountered who was thought to be very effective in their job. Usually there will be several hands that go up (depending on how comfortable the members of the group are in admitting they have frequented a bar). Asking what the person did that was different from other bartenders will normally generate a list of attributes or competences that for that position represent noteworthy job performance. For the bartender the list is often:

- The bartender saw me as soon as I came up to the bar
- I was greeted with a smile
- The bartender remembered me if I had been there before
- The bartender remembered what I ordered to drink
- The bartender scanned the bar for new customers

The Collective Session Step by Step

Here's how to conduct a session with the executive team step by step:

Start with the CEO who reviews the macro picture for the business and the strategic initiatives in the near to mid-term. For this part of the session, some teams invite the head of strategic planning.

Review the key positions with the team (current and planned) in view of the strategic information presented. Revise the summary of key positions, if needed.

Review the incumbents in the key positions. Identify skills and competencies gaps based on the strategic requirements of the position. Determine likely retirements and other planned terminations.

Review the combined list of high potential employees gained from the one-on-one sessions or already identified previously. Collectively "scrub" the list.

Decide who from the high potential list should move into one of the key positions that is or will become vacant. Determine the leadership development the person(s) may need to move into one of the key positions.

Determine if other moves into or out of the key positions should take place for development purposes.

Document the executive team's decisions and planned leadership development actions. Review the status of actions at the next executive team succession planning and leadership development session.

How the overworked Boston Square was a lifesaver

I was once transferred in as the head of HR of a major division, reporting to the president, literally a few days before a major succession planning and leadership development review was scheduled to take place. The heads of business organizations from Europe, Africa, and the Middle East had already begun arriving in London for this session at which I was meeting with my new boss for the first time. He expressed concern about my being able to facilitate the meeting since I did not know any of the key players in the organization. I am sure he had visions of a disastrous session with general managers at each other's throats attempting to put forward their personal choices to move ahead in the organization.

I reviewed as many of the career development summaries as I could before the session began. I understood that the true knowledge about the people in this organization rested with the general managers sitting around the large conference table. I believed that the best way to add value to the session was to make sure that the group reached collective agreement regarding the best talent in the organization. I devised a process that involved the use of a simple four quadrant Boston Square that I placed on a flip chart. Along the x-axis was performance form low to high and along the y-axis was potential from low to high. A line was drawn in the middle of each axis giving us the quadrants.

We had listed each individual who should be discussed and had given basic biographical information on the individuals to each general manager. I then asked each general manager to give a brief description of the accomplishments of the people that would be discussed.

I asked other general managers who had knowledge of the individual to share their observations about the person and the development that was needed.

We then populated the square by going around the room and asking each general manager to indicate where the person under discussion should be placed on the chart. At the conclusion of the exercise, we had a document about the talent in the organization that had been collectively developed and endorsed. It served as a roadmap for our succession planning and leadership development efforts for the upcoming year.

Interaction with the Board

Understandably, CEO succession planning is part of the board's responsibilities. Often a board will rely heavily on the input and recommendations from the incumbent CEO and the senior HR professional in the C-Suite as far as whom inside the organization has the potential to be a replacement for the top position. Increasingly, boards are also interested in making sure that the leadership development of the executive team and other high potential employees in the organization takes place.

A lot of what was discussed earlier in this chapter regarding the executive team and succession planning and leadership development also applies to the board.

- Succession planning and leadership development is an important business process that the board should also own, with help and support provided by HR.

- There should be regular periodic reviews with the board on current succession plans.
- There should be frank and candid discussion with the board about the future of the enterprise and the type of leader(s) needed.

Part of being an honest talent broker is making sure that the board receives an accurate and objective assessment of what should be the succession plan for the CEO. The most immediate need is to know the succession plan in the event of the CEO's sudden resignation, illness, or death. And, of course, there should be a plan that covers the CEO succession strategy over the longer term. The senior HR professional who agrees with the CEO on these plans has a relatively simple life when it comes to interaction with the board. However, the senior HR professional's life can become more difficult when there is disagreement with the CEO about succession candidates. Frankly, the senior HR professional who wants to be considered an honest talent broker (and a trusted advisor—something we discuss later in this book) has to have the courage to be willing to express that difference of opinion with the CEO to the board and give concrete reasons for it.

Some Final Thoughts

We have discussed that making sure that the organization applies rigor to its career development and succession planning discussions is a key contribution that should be made by the senior HR professional in the C-Suite. We discussed how effective succession planning can be a key risk mitigation process for the business. We discussed the importance of making sure the succession planning and leadership development process avoids time wasting bureaucratic procedures and involves frequent and candid discussions about the skills and talent in the organization.

Here are a few other final observations about what the senior HR professional can do to help the CEO and the executive team improve the succession planning and leadership development process.

Help Give High Potential Candidates Exposure to the Executive Team

It is important that the executive team meets and interacts with high potential candidates. Most executives usually have some exposure to high potential employees in their respective organizations. However, it is important that the senior HR professional help the executive team get to know high potential employees in other parts of the organization. Making sure that individuals have exposure and are known by the full executive team will help make the succession planning process more objective. It is equally important that high potential employees have the opportunity to spend time with the CEO and other executives to begin to understand the thought process and business focus in operation in the C-Suite. Many companies make sure that the CEO and other senior executives spend time with high potential employees during seminars or leadership development retreats or during classes at internally run "universities." Other companies schedule periodic lunch sessions with the CEO and other executives for informal conversation and information sharing. There is no right or wrong approach as long as the CEO and other senior executives have the opportunity to see and meet employees who could be the future leaders of the organization.

It is important that the executive team meets and interacts with high potential candidates

The element of secrecy that has been a characteristic of succession planning is being modified now. There is value in making sure that individuals know that they are considered high potential and that development opportunities will be sought for them. The mobility that individuals now have and the technology that makes finding another job much easier all contribute to the need to make sure high potential employees are not kept in the dark and know that senior leadership thinks highly of them.

Implement Leadership Development Plans and Contracts

Leadership development requires a formal executive assessment process. Once again, this underscores the importance of understanding the leadership style, drives, and motivation of executives as we discussed earlier in this book. The outcome of the executive assessment process can form the basis of a leadership development plan and contract. The key words are plan and contract. Leadership development requires a plan of action and a commitment on the part of the principals involved as evidence by a written contract.

Look for Ways to Move People around for Their Development

Many large companies with the ability to provide assignments in different business lines or positions will use position rotation as a way to enhance learning and executive development. This form of executive development is particularly effective when it is known that an executive will need to have had a number of job experiences before holding a senior position. One effective approach used by a large multinational oil company involved assignments of high potential employees to smaller but complex affiliates in different parts of the world. In a sense the CEO and the executives were running a corporation, albeit a much smaller one within the confines of the larger parent organization.

Try to Identify the Potential CEOs Early

Ideally, every organization should have a pool of candidates who are able to provide the leadership required in the top position. In the most basic sense, a good succession planning process should attempt to identify potential candidates for the CEO position as early as possible in an individual's career and monitor the progress that the individual makes. This does not mean that someone comes into an organization and a few years later receives a stamp on their forehead that says "Future CEO." However, it is important to create an environment in which the organization actively looks for and attempts to cultivate those who are top talent. Also, it will have the benefit of really assessing individuals as time passes and as they take on various jobs and challenges.

Be the Informed and Objective Resource

There are many occasions when the senior HR professional in the C-Suite must act as an informed but dispassionate and objective resource. The ability to serve as this type of resource to the CEO, senior executives, and the board during the process of succession planning and leadership development benefits all concerned. Though some may think of succession planning and leadership development as the process for promoting and moving favored individuals ahead, it is far more important than that. If the organization is to succeed and renew itself for life into a distant future it must have an effective system of succession planning and leadership development. The succession planning and leadership development process must value and nurture the required type of talent regardless of where it may be found. The senior HR professional who is committed to making sure the CEO, senior executives, and the board are properly focused on this process will directly impact the success of the organization for generations to come.

chapter 7

Coaching the CEO and the Executive Team

The problem that confronts every organization is that no one is perfect—no one. This includes CEOs, top executives, and, yes, senior HR professionals. As result, there are occasions when the behavior or the performance of a member of the C-Suite may not be optimal or effective. In these instances, the executive in question is likely to benefit from the advice, counsel, and suggestions an objective but interested observer may give. This process is often known as "coaching." The ultimate goal of any coaching effort is to improve the effectiveness of the other person in their current or future roles, especially if the role involves leadership of an organization. In my experience, effective coaching is a business skill that can be employed to enhance an executive's performance and assist other employees in the organization at all levels.

at some point, the senior HR professional in the C-Suite will need to coach

Based on my experience, it doesn't matter whether or not the senior HR professional in the C-Suite thinks of themselves as a coach. It is a sure bet that, at some point, the senior HR professional in the C-Suite will need to coach. On many occasions, members of the executive team are interested in receiving coaching from a trusted source. That often means using the senior HR professional in the C-Suite as the informal coach for both the CEO and other members of the team. The CEO may ask the senior HR professional to help with the behavior of another member of the executive team. Or there may be a member of the executive team who is interested in positioning themselves for more responsibility who wants to discuss with the senior HR professional how this can be accomplished. On some occasions, the board may ask the senior HR professional to "coach" the CEO on some sensitive issues.

Regardless of where an individual's sentiments about executive coaching may rest, there is the very real likelihood that the senior HR professional at some point could be called upon to help in the coaching of members of the executive team, including the CEO.

Coaching by the Senior HR Professional in the C-Suite

Earlier in this book, we discussed several steps the senior HR professional in the C-Suite should take once a seat at the executive table was earned. We covered the importance of understanding what makes members of the team "tick" by obtaining assessments of their leadership styles and motivations. We also discussed the need to make sure that the senior HR professional's office in the C-Suite was considered a safe, or neutral, zone where other members of the team would feel able to voice concerns and raise issues in confidence. The senior HR professional who has taken these steps, who also knows and understands the business, is positioned to have effective coaching conversations with the CEO and other members of the team when needed.

A Similar but Different Kind of Coaching

The coaching the senior HR professional performs with the CEO and members of the executive team includes a lot of the elements of traditional executive coaching but has some differences. Cummings and Worley[1] give a definition that probably lines up with the general description that most of us have in mind when we think of coaching: "*coaching is a development process whereby an individual meets on a regular basis to clarify goals, deal* *with potential stumbling blocks and improve their performance. It is an intervention that is highly personal and generally involves a one-on-one relationship between coach and client."*

This definition is what I consider to be traditional coaching. This definition reflects the type of coaching I have considered for those employee situations that I have encountered in which I have thrown up my hands in frustration and said, "I need to bring in a coach from outside." Generally, the coaching performed by the senior HR professional with the CEO and other members of the executive team does not have exactly the same structure and dynamic of the coaching described by this definition.

Bear with me, because what I am about to say could be confusing. There may be occasions when the senior HR professional does a lot of what is covered in the definition of coaching in the traditional sense—meets on a regular basis, helps clarify goals, and deals with potential stumbling blocks. However, there is a big difference when the senior HR professional coaches the CEO, or other members of the executive team. Unlike what takes place with an outside executive coach the "intervention" isn't usually the result of a formal arrangement and often the coaching may be done on the spur of the moment. For example, the senior HR professional may check in with the CEO or other members of the executive team after most team or board meetings to provide informal coaching based on what may have been observed. Over time, this may become a regular occurrence, although it isn't something that is noted in anyone's calendar.

A Primer on Coaching

Most of us have our own ideas of what executive coaching is all about. Some of us may be strong advocates of coaching and see it as an effective way to help improve, or correct, an executive's behavior and performance. Others may still be deeply skeptical of the process and those who call themselves "executive coaches." In the minds of some, many of these practitioners are thought of as nothing more than new age charlatans or the 21st-century incarnation of the snake oil salesperson. Nonetheless, I am firmly in the supporter camp of coaching, particularly when it comes to CEOs and other senior executives in the C-Suite.

Fortunately, while there may still be some who are skeptical of executive coaching, the general consensus about it has changed dramatically over the years. No longer is executive coaching considered an indicator of the need for some form of a remedial intervention because of poor performance. The more enlightened members of the business community know that coaching should not be seen as applicable only if there is something "wrong." Now, having a coach is considered by some observers as a sign that the individual being coached is expected to rise in the organization. There are now individuals who are "life coaches," who focus on providing counsel on both career and personal issues.

The Differences of Coaching and Mentoring

It makes sense relatively early in this chapter to briefly discuss some of the differences between mentoring and coaching. Over the years, I have come up with a quick macro explanation of the difference between mentoring and coaching: An employee new to a company would probably benefit from **mentoring** on day one of employment, but it may take many months or even a few years before the type of **coaching** the employee needs can be determined. Here are some of the other major differences between coaching and mentoring:[2]

- **Mentoring** often has a longer-term time dimension than coaching and usually involves helping someone acclimate to a new organization or become ready for a role down the road.
- **Coaching** is usually what's needed to address a situation or behavior in the here and now.
- **Mentoring** often involves a relationship with someone in the organization who is not a direct manager of the employee.
- **Coaching** almost always has the direct involvement of the person's manager or supervisor.
- **Mentoring** is often used to provide selected groups of employees with longer term nurturing to help them be successful in an organization.

Memorable mentoring

A highlight of my multinational oil company career was being asked to mentor a high potential employee in the marketing and sales department of our European regional organization. The employee had been successful in one of our European affiliates and was being groomed for more responsibility internationally. My role was to help the young executive be successful in the headquarters of the larger regional organization and understand what it takes to manage others from different nationalities and cultures. Our sessions over 18 months also focused on the skills needed to make the transition from a small affiliate to the much larger stage of a more senior level position in a global corporation. I learned a few years after I had left the company and our mentoring relationship had ceased that the young executive had been appointed to a senior position in one of the company's Asia Pacific affiliates and was being considered for more global responsibility.

When Executive Coaching Is Usually Needed

In its educational and promotional materials,[3] Lee Hecht Harrison, a leading human resource management consulting firm, indicates that executive coaching, in the context of the business environment, can normally be characterized as one of the following types:

- **High performance/high potential coaching**
- **Onboarding/new role coaching**
- **Specific behavior area(s) coaching**

The coaching that the senior HR professional in the C-Suite may perform with the CEO and other members of the executive team will also usually fall into one of these categories. Associated with these three areas of coaching is the possible use of 360 degree feedback and identification of an area(s) requiring further coaching.

High Performance/High Potential Coaching

This is often coaching that is to help a high performing executive prepare for a larger job or greater responsibility. There may be an executive who is in line to replace the CEO who would benefit from coaching on what is needed to make the transition to that position and what is needed to be successful in the role once there.

Onboarding/New Role Coaching

Though lumped together, in my experience, onboarding and new role coaching can sometimes be slightly different and may have variations. A new member to the executive team but one from within the organization may benefit from coaching from the senior HR professional to help make the transition to the team go more smoothly. An executive who is coming into the team from outside who performed a similar role at another company may need more of what I think of as onboarding coaching. The executive who comes in from another company, who is also going into a new role, may benefit from the combined onboarding/new role coaching.

Specific Behavior Area(s) Coaching

Coaching the CEO or other members of the executive team about specific behaviors can cover the waterfront and may also be a part of the other coaching areas that we just discussed—high performance/high potential and onboarding/new role coaching. Sometimes, specific behavior coaching is to help the CEO or other executive team members exhibit more of a particular behavior that enhances their leadership effectiveness. On other occasions, the coaching may be directed at eliminating or minimizing specific behaviors that may be negatively impacting the executive's leadership effectiveness or the cohesiveness of the team.

Not surprisingly, most senior HR professionals (and other executives) usually look forward to and enjoy the opportunity to coach high potential individuals who are also high performers. Helping an executive transition into a new role can also have its rewards, assuming the executive doesn't display behaviors that are making the transition problematic. However, in my experience, the "bread and butter" coaching that a senior HR professional needs to provide usually revolves around specific behaviors. And while the coaching can sometimes center on helping a CEO or executive exhibit more of a particular behavior, more times than not the goal of the assistance from the senior HR professional is to minimize or eliminate a specific behavior that is negatively impacting the person's effectiveness within the organization.

Executive Coaching's "dirty little secret"

Despite the increasingly positive regard in which executive coaching has been held in recent years and the improved business performance of many executives that it has been able to help bring about, I believe that executive coaching does have a "dirty little secret." Rarely do we hear coaching professionals talk about the fact that there are some executives who just aren't coachable. What do I mean by not coachable?

Some executives, regardless of the technique and style of coaching used, whether formal or informal, have difficulty accessing that inner voice or mechanism that says, "I have to change; here's what I need to do." Again, since I am not a psychologist or psychoanalyst, I don't know what causes this, but I have seen the phenomenon a few times over the years. Some executives consistently believe that they are on the right track when it comes to performance and behavior despite evidence to the contrary that may be presented by others.

Without the inner willingness to embrace the comments and observations of others about their behavior or performance, no real change ever takes place. CEOs and senior executives can often represent a challenge when it comes to coaching. We'll discuss the reasons for this a little later in this chapter. The senior HR professional needs to be aware that not every member of the C-Suite may be "coachable." Borrowing the now well-worn poker cliché, they need to "know when to hold them and know when to fold them."

Without the inner willingness to embrace the comments and observations of others about their behavior or performance, no real change ever takes place

Informal Coaching Skills Needed for the C-Suite

Though painfully obvious, it needs to be said—coaching a CEO or a senior executive takes skills. However, effective coaching—formal or informal—usually comes down to a few very basic skills.

Active Listening Skills

We know from the leadership development material that many of us have read over the years that "active listening" is something that every good manager should develop. For the senior HR executive who engages in coaching in the C-Suite, active listening is a critical must. One of the tips often given about improving your active listening skills is to use the very easy technique of making sure that you paraphrase and say in your own words what you may have just heard the executive say. Intentionally asking a pertinent question about what was just said though you may know the answer can also help reinforce the process of active listening. It may turn out that you actually have a question about something you don't understand in what was just said. The executive may have covered the technical aspect of his operation or what prompted a certain action on his part that may be unfamiliar to you. It doesn't hurt to reinforce the nature of the interaction by asking a question. Active listening involves being present in the conversation and applying eye contact, affirming nods, and open body language.

Verbal Communication Skills

The senior HR professional who is engaged in coaching the CEO or members of the executive team must have very strong verbal communication skills. A key part of these communication skills has to be the ability to ask questions as we just discussed and make observations in a way that is neither threatening nor embarrassing but at the same time straightforward and direct. The goal of the verbal interaction is to increase the probability that the person being coached gives open-ended responses and not "yes" or "no" answers so that there is an opportunity for dialog.

Soft confrontation

Here's an example of a "soft confrontation" I needed to have with my CEO.

At a traditional Monday morning executive team meeting (I still haven't figured out why executives do that to themselves on a Monday morning in lots of countries—it seems too often to just get the week off to a bad start) the CEO was particularly short and abrupt with the head of marketing and sales who was about to give the team advance notice that the sales results for the month may be off target. The CEO cut off the marketing and sales executive in mid-sentence and made it clear that no excuses about the level of sales would be tolerated—the sales goals had better be met. The meeting proceeded and, of course, when everyone else around the table was asked to give their updates they had either nothing to report or only good news. The other executives acted as if everything was fine, though we all knew it wasn't. No one else wanted to be shot by the CEO in front of the rest of the team.

Later in the day, I was with the CEO preparing for a meeting with the compensation committee of the board. After the CEO signed off on the executive compensation presentation, I paused before leaving and said in a matter of fact tone, "Jim" (names have been changed to protect the innocent), "from where I sat this morning, you seemed to have come down pretty hard on the head of marketing and sales. Let me give you my observation of what I saw happen with the other people around the table when you did that..."

Comfort with Silence

In the process of having a coaching conversation, the senior HR professional needs to be comfortable with periods of silence. We know that CEOs and senior executives are thinkers. They may need time to think about what's been said and what it actually means resulting in short periods of silence. However, be warned that on some occasions, the silence may mean you've just asked or said something that the CEO or executive doesn't like and they are trying to calm down before responding to you. The fact that the CEO or executive may be momentarily upset almost doesn't matter if you've established a true relationship with them. The key point when coaching someone is to not feel the need to fill the silence.

The Dynamics of Coaching the CEO and Other C-Suite Executives

In many organizations, though it may be unwritten, there is the clear expectation that the senior HR professional in the C-Suite will coach the CEO and the executive team to help them perform more effectively no matter how difficult it may be. Coaching the CEO or other senior executives may involve identification of behavior(s) that needs to be changed to increase the individual's effectiveness in the organization. The senior HR professional, as part of their responsibility as an honest broker, needs to be able to identify and point out to a CEO or other senior executive an issue with behavior that may impact the organization. I will be the first to admit this is easy for me to say (or write) but in reality very hard to do. It requires a certain amount of confidence and courage.

Less effective behavior of a CEO or a senior executive can take various forms. Some of the executive's behavior may be intentional. On other occasions, the executive may be unaware of the behavior and the impact it has on others in the organization. The coaching that the senior HR professional may need to give may be relatively personal—for example coaching about the "blind spot" a CEO or executive may have about another executive and the impact this may have on the organization when the favored executive is not always viewed positively by others. The coaching may need to be more intense when there are more serious business issues that are being ignored or when there is a lack of cohesiveness in the team. (Later in this book, we discuss how the senior HR professional can navigate "wars" that may exist within the executive team.)

Understand that the CEO May Have Other Coaches but Still Needs HR

We know about the isolation that some CEOs feel. In some organizations, this feeling of isolation in CEOs sometimes results from not having a senior HR professional willing or able to coach them. There are some CEOs who are fortunate to have a close personal friend or former colleague from earlier in their career who may serve as an informal coach. These persons are outside the organization and may not have the insight needed to effectively coach the CEO in some respects. Other CEOs may receive informal coaching on occasions by a member of the board. While the board member may have the ability to coach the CEO about big picture business issues, the knowledge of what is happening in the organization day-to-day is understandably missing. The truly effective senior HR professional in the C-Suite has the ability to coach and challenge the CEO in a way others cannot, while maintaining that the "boss is still the boss."

The Super Heroes and Crooks Distribution Chart

The senior HR professional needs to be able to put the behavior and performance of an executive being coached in perspective. In the case of senior executives and especially CEOs, there is often the tendency by some in the organization to think of them as "superheroes" though they are, in fact, human. In some instances, the superhero effect may hamper an objective analysis of the executive's behavior. While some may want to think of the CEO as a superhero, we know there are some who just aren't. A few, as evidenced by scandals in recent years, are capable of unethical or criminal behavior—these are the crooks who somehow sometimes make it to the top of organizations.

These individuals represent one extreme end of a bell-shaped distribution that I call the "crooks and superheroes" distribution chart. For a myriad of reasons, the senior HR professional in the C-Suite needs to know where the CEO, or another senior executive, falls on this imaginary distribution chart. At the far end of the distribution are CEOs who can cause significant disruption and dysfunction in an organization. At the other extreme are the superheroes who require the lightest touch of coaching, if any. And, in the proverbial middle are the majority of CEOs—persons who are usually very bright, intelligent, and gifted in many respects, but flawed in others. Real people, with great talent but feet of clay, who like most of us could benefit from a friendly word of advice and some coaching from time to time.

Make the Investment in Time

Establishing a relationship with a CEO strong enough to provide informal coaching requires time. It requires lots of time. The senior HR professional needs the sort of strong relationship that normally does not develop overnight so that delicate and difficult subjects eventually can be discussed in a straightforward and open manner as part of the coaching. Without a strong relationship that has been built over time there will still be conversations between the senior HR professional and the CEO or other senior executive, but it is unlikely that any real coaching will take place. The ability of the senior HR professional to informally coach the CEO and other senior executives in a consistent and open manner is a foundational step in being viewed as a "trusted advisor," which is a concept discussed later in this book.

> *Establishing a relationship with a CEO strong enough to provide informal coaching requires time*

Try to Get Data

We have discussed the importance of having information about the leadership style and motivation profile of the CEO and other senior executives several times in this book. Coaching is made a lot less difficult when the senior HR professional has available current leadership style and motivation profile data, or 360 degree feedback, about the person being coached. The senior HR professional who is aware of this type of data beforehand is better able to tailor any coaching that takes place. Unfortunately, despite the advice given earlier in this book, I realize the senior HR professional may not always have this data. Often the senior

HR professional will find that some of the members of the executive team are reluctant to engage in the personal assessment processes and make an effort to avoid it.

Know the When and Where of Informal Coaching

The senior HR professional should determine the best time and place to have conversations with the CEO and each member of the executive team that result in informal coaching. Some CEOs and other senior executives are early risers who prefer the quiet time of the morning. It is possible these individuals will seek out counsel through informal conversations before the hectic workday routine begins. Other executives may prefer to decompress before going home and will often use that time for conversations of an informal nature.

There are CEOs and senior executives who prefer having informal coaching conversations in their offices; others prefer “neutral” territory. Sometimes, the best location for the informal conversation may be to meet for lunch or for dinner after work. As long as it is possible to have a relatively private conversation, the location doesn’t matter. However, what is absolutely essential is that whenever and wherever the informal coaching is done the CEO or other senior executive believes that you are interested in helping them and that you are actively listening to what they have to say.

Don’t Be Afraid to Perform “on the spot” Coaching

Often, the CEO or a colleague may want to discuss something on the spur of the moment that may turn into a quick coaching session. In my experience, some “on the spot” coaching can be accomplished in a few minutes or even less. The ability to provide short, quick coaching of this type depends upon the strength of the relationship with the person being coached and the nature of the event(s) observed or issues discussed. Because of the lessons I learned about the importance of being “in the moment,” it is now easier for me to analyze and concentrate on what is being said even if the impromptu coaching session is a short one. If you practice making sure you are “in the moment,” even if you are pressed for time you should be able to hear the person and give the appropriate abbreviated coaching.

A Quick Summary of the Major Steps in Coaching

Here is a really concise summary of the major steps of coaching that has guided me over years. The major steps of the coaching process are similar regardless of the level of the person who is being coached, or whether the coaching is formal through the use of an outside consultant (which we will discuss later in this chapter) or informal.

Step 1—Make sure you have enough information. The very first step in coaching is to make sure you have enough information to actually be helpful. Usually, you are able to obtain this information and data because you have observed something or because something has been brought to your attention. If you don't have sufficient information or data it means that you're going on the basis of your gut or intuition. When dealing with CEOs and executives at the top of organizations its best to hold off on any attempt at coaching until you do have sufficient information.

Step 2—Decide the best time and place to coach. Assuming you have sufficient information to move ahead with what you consider to be a needed coaching session, identify an opportune time and location for the discussion.

Step 3—Work hard to help the person understand the issue. The next step of the process involves working hard to help the individual understand the issue using the skills we discussed earlier. The goal is to persuade the individual that there is in fact a gap in performance and what might be the outcome if the individual continues down the current path and doesn't change.

Step 4—Agree what needs to be done and follow up. The coaching basically moves to a phase that identifies what needs to be done. The goal is to have the individual realize for themselves "Here's what I need to do." It is usually helpful at this point to make sure that the individual being coached understands you are committed to helping. It's important that what needs to be done is affirmatively acknowledged and that follow up takes place.

Coaching tip

There are some CEOs and senior executives who fervently believe that coaching is something they do not need. There are still a large number of executives who view being coached as an admission of some sort of failure. When I have encountered CEOs or senior executives who have this attitude I have tried to assist them to see coaching in a new light. One of my favorite phrases to use in the course of a coaching session is, "Help me understand..." When an executive balks at the idea of coaching, I have found that by asking them to help me understand why they are reluctant to consider coaching a conversation then takes place in which the executive "coaches" me about their reasons to not be coached. I am sure to throw in a few questions during the conversation. After a while, I point out that the conversation has helped me understand what I may have been missing about the person's reluctance and that they have effectively coached me on the topic. I then ask if the executive would be willing to work with a coach who would take the same approach that they had just demonstrated—a coach willing to learn from the executive while also providing their own observations. Admittedly, some executives continued to balk at the idea of coaching but others became less resistant.

Using an Outside Executive Coach

There may be occasions when using an outside coach is the best approach to help members of the executive team. I've intentionally placed this section about the use of an outside coach after the discussion about coaching by the senior HR professional in the C-Suite. In my experience, before an outside coach is brought in and used at the most senior levels in organizations, a first attempt at coaching by the senior HR professional is usually expected by the CEO and others. Though the senior HR professional may engage in coaching the CEO and other members of the executive team, there may still be a need for the use of an outside consultant to engage in a traditional coaching intervention. Therefore, another major coaching challenge for the senior HR professional is being able to identify those situations when the assistance of an outside coach is required in the C-Suite.

Difficulties with Outside Coaches

As we discussed, coaching at the senior executive requires skill. In theory, CEOs and senior executives can benefit from executive coaching by an outside professional just like anyone else in the organization. However, I have found that using an individual from outside the organization to coach the CEO or the other senior executives can be very tricky. Apart from the basic requirement of "chemistry" between the two individuals, the outside coach must have enough general business savvy and understanding and knowledge about the organization to be credible in the eyes of the CEO or other executives. The search for a good coach often comes down to a matter of "fit."

If an external resource is used to coach the CEO or members of the executive team it is important to realize that the professional qualifications, experience, and techniques of coaches vary widely. As a result, I have found it useful to provide executives with a summary of the background of a number of coaches who have been "vetted" by HR. The executive is responsible for making the final selection of a coach. This approach helps ensure that the coach is qualified but helps prevent the feeling by executives that someone is being rammed down their throat. As we discussed, a good coach can greatly aid the growth and development of an executive. On the other hand, a coach who is not particularly good or whose chemistry with the executive is bad can do a great deal of harm. The harm does not involve only the executive who was being coached. A bad coaching experience may have the larger unwanted effect of calling the concept of coaching into question by the CEO and other members of the executive team.

Though some academic and professional organizations now offer credentials in executive coaching, the senior HR professional should still look for other assurances concerning the person's qualifications.

- What experience does the person have in coaching other executives?
- What is the process the coach will employ?
- Does the coach have academic qualifications that may set them apart from other coaches?
- Does the coach have senior level business experience?
- Has the coach an existing client base? How about references?

The Typical Formal Coaching Session

Those of us who have been coached or who coach know that most formal coaching sessions can be divided into six major blocks:

- Intro/what do we need to discuss?
- What do we need to accomplish in the session?
- What is going on? How are you being impacted? The good and the bad?
- What can be done? What actions can you take? What actions do you think you should take?
- What action(s) will you take?
- Close.

It's important that the coaching session results in the development of an action plan with deadlines and milestones. The schedule and timing of additional meetings with the coach also should be established. Finally, there should, of course, be follow up and feedback. In the case of a senior executive who is coached that feedback will normally be given to the CEO and often also to the senior HR professional on an informal basis.

Every coach has an approach that they believe works best for them. Over the years, I've found that the more successful outside coaches are the ones who are the most skilled at using questions. They skillfully seek illumination on issues with the executive in a way that provides the opportunity to make observations and suggestions. In general, I've found that the most effective coaching regardless of who is doing it usually results in the person being coached actively acknowledging and saying, "Here's what I need to do."

What We Can Learn about Executive Coaching from Tiger Woods

I will be one of the first to admit that early "coaching" was often a disguised approach managers and supervisors used to give their subordinate employees what was essentially a traditional performance assessment. Treating the usually negative performance assessment as coaching was thought to be a softer and more readily accepted touch. In recent years, however, it has been realized that coaching is equally important when performance is at an acceptable level. In other words, effective coaching can often help good performers perform even better. This is particularly true when the coaching involves individuals who have made it to the top of organizations.

An example can be found in the golf world. Just about everyone is aware of the performance capability of Tiger Woods. Golf analysts and sports commentators have said it is possible that he will be considered one of the greatest to have ever played the game (though he has fallen on relatively hard times as far as winning tournaments in recent years). While we are familiar with his long list of golfing accomplishments we also know that he continues to use coaches to improve his already exceptional golfing ability. Tiger Woods looks for individuals with the knowledge and ability to comment on where he needs improvement although he is already one of the best.

Ideally, the HR professional in the C-Suite will be able to adopt a similar role in coaching the CEO and other senior executives. These are individuals who generally are very skilled at the game of business and perform at a very high level. Nevertheless, appropriate coaching can often help them perform even better.

Help the CEO and Other Executives Become Better Coaches

The senior HR professional conducting, or overseeing, coaching at the CEO or senior executive level should have as a goal making sure that the members of the executive team are also capable of coaching others. Coaching at the executive level is very often about assisting leaders in having better and more effective discussions with subordinates, peers, and the CEO. The focus should always be on performance—performance that may need improvement, or performance that should be continued. The importance of effective coaching in the C-Suite is that it almost always helps the CEO and other senior executives see that it is a critical leadership skill that can benefit the rest of the organization.

chapter 8

Pros and Cons of Being the CEO's "Trusted Advisor"

The phrase "a seat at the table" has long been the mantra expressed by many in HR as shorthand for the need and the desire to impact strategy and be a member of the executive team. However, another term is also used almost as often when describing a critical role the senior HR professional should play who earns a place in the C-Suite. The term is "trusted advisor."

CEOs Say They Want an HR "Trusted Advisor"

The special industry that produces surveys and reports about the relationship between CEOs and HR usually finds "trusted advisor" is a capability most executives in the top spot expect from the senior HR professional in the C-Suite. The CEO's response is normally interpreted to mean the senior HR professional will act as trusted advisor to the chief executive with a high degree of confidentiality and implied exclusivity of the relationship. While I can't present empirical data to back up this assertion, my guess is a lot more CEOs, consultants, and academics, use the term "trusted advisor" than HR people when describing the key roles for senior HR professionals.

Don't get me wrong. The HR community knows and understands as well as anyone else that certain senior HR professionals are often uniquely qualified to play the role of trusted advisor to the CEO. In my experience, being a trusted advisor to a CEO is something you may be but don't necessarily talk about. And you don't become a trusted advisor to a CEO just by wanting to be one. Some HR professionals in fact do play this role when given the opportunity. However, in view of the large number of HR professionals still attempting to earn a seat at the table—and have a voice there—relatively few truly operate as trusted advisors to the CEO.

> *you don't become a trusted advisor to a CEO just by wanting to be one*

The Senior HR Professional Shouldn't Be Just the CEO's Trusted Advisor

It is relatively common to think that the trusted advisor relationship is one controlled exclusively by the CEO. The trusted advisor role the senior HR professional may play is in the context of the business. While the CEO and senior HR professional may sometimes discuss personal issues or subjects, it is essentially a business role that is being performed. Unfortunately, the full dimensions of the senior HR professional's role as "trusted advisor" have been somewhat obscured because the term is most often used in connection with a need of the CEO. In my thinking, the term "trusted advisor" implies responsibility beyond the CEO.

There are a few senior HR professionals who are able to operate as a trusted advisor to the CEO. Even fewer are able to act as a trusted advisor to the CEO, the executive team, and the board. In order to function effectively as a trusted advisor to these stakeholders, the senior HR professional must also be a trusted advisor to all three actors. The ability to be viewed as a trusted advisor to all three of these major stewardship constituencies is the principal characteristic of the "trusted advisor" in the fullest sense. Of course, it is possible to be viewed as trusted advisor by one or two of these three important groups. As we will discuss a little later in this chapter, several problems can arise if the senior HR professional is considered to be the trusted advisor of one or two of these parties but not all three.

"Trusted Advisor" can be a Multi-impact Role

In many respects, being considered a trusted advisor can be both a remarkably rewarding and frustrating role for the senior HR professional. There will be occasions when you will be listened to and others when you will not. Regardless, it is essential to be consistent in the advice you give to the CEO, the executive team, and the board.

There is little argument that being a "trusted advisor" is a valued and important role. However, acting as only the CEO's trusted advisor could have either a positive or negative effect. A lot hinges on how the role is handled by the senior HR professional. The senior HR professional in the C-Suite should recognize and understand both the pros and the cons associated with the trusted advisor role.

> **Observation:** The "trusted advisor" is a multi-impact role. Though the senior HR professional who is a "trusted advisor" is normally thought of as benefitting the CEO, the role when properly carried out can actually benefit other members of the executive team, the board, and the organization as a whole.

Qualities of the Senior HR Professional Who is a Trusted Advisor

It is hard to imagine a trusted advisor to a CEO, executive team, and a board who has not acquired a good degree of business savvy. Business savvy is difficult, if not impossible, to fake. You don't have to be an expert in every aspect of business or be able to run Excel spreadsheets in your head to have business savvy. However, it does require experience in seeing and remembering various business situations that have arisen in the course of your career. The person with business savvy is able to demonstrate that they have learned lessons from those experiences that they can apply in the present. The trusted advisor must be politically astute while passing these lessons on. Although there needs to be personal chemistry with the CEO, the executive team, and the board, the senior HR professional's primary concern as a trusted advisor should be to give the right advice in terms of what is best for the company.

On a basic level, operating as a trusted advisor in the business setting isn't dramatically different than what is required to play that role in other settings.

The key qualities of a trusted advisor

1. The person has to be viewed as credible and knowledgeable.
2. The person has to demonstrate consistently sound advice over time.
3. The person has to demonstrate the courage to give advice that may not be welcomed.
4. The person has to be impartial and capable of being an independent arbiter.

By definition, trust is the foundational element of the "trusted advisor" relationship. It takes time for the relationship to become one in which true trust exists, and the ability to be open, candid, and honest comes naturally. In many respects, the senior HR professional who has demonstrated the character and competencies needed to earn a seat at the table should be well on the way to becoming a trusted advisor to the CEO, the executive team, and the board.

The example of Jack Welch and Bill Conaty

Jack Welch, former CEO of General Electric (GE), is legendary. Equally legendary in business and HR circles as a trusted advisor is Bill Conaty, the senior vice president for human resources at GE during and after Welch's tenure. The basis of that trusted advisor relationship revolved around Conaty's ability to stand up to Welch and gain his respect as both a senior HR professional and a business person. One can only imagine the business savvy, courage, and calmness required on a day-to-day basis to serve as a close advisor but subordinate of Jack Welch. In keeping with the qualities expected of a trusted advisor, Bill Conaty has continued to treat his relationship with the famous CEO with discretion.

The Senior HR Professional Who Is a Trusted Advisor Knows It Is Still Very Important to "get the laundry out"

Earlier in this book, I stated that before a seat at the table is earned, it is important that the HR function be consistent in its ability to "get the laundry out." In other words, the processes and operation of the basic HR function have to be in good working order before the senior HR professional will be considered a peer in the C-Suite. It is hard to over-emphasize the importance of this point, which is why it is being repeated here. Senior executives are a very critical bunch. If something isn't operating as it should in HR, they will be the first to let you know if you are sitting at the table with them. As stated before, the senior HR professional must first concentrate on the effectiveness of the HR function before earning a seat at the table and operating effectively as a trusted advisor.

The Trusted Advisor Is Trustworthy

As stated earlier, the trusted advisor role by definition requires trust. Invariably, the senior HR professional who operates as a trusted advisor has been shown to be trustworthy in the past. If you don't have a solid reputation for being able to keep confidential information confidential, it is unlikely you will ever act as a trusted advisor to the CEO, executive team, or the board.

In general, HR professionals are expected to have the competencies of good judgment and discretion. At the most senior level it is reasonable to expect those competencies to have been finely honed over the years. If the CEO or the members of the executive team or the board surmise that the advice you are giving is to further your personal goals or aspirations you are unlikely to be considered a trusted advisor for very long.

The Trusted Advisor Has Maturity

There is a certain amount of personal maturity that must be present before a senior HR professional is able to play the role of trusted advisor. We established a long time ago that most CEOs are intelligent and quick. They are able to spot holes in arguments and advice. An aspiring senior HR professional without a certain level of experience is unlikely to reach the role of trusted advisor without a large amount of interaction with the CEO. The CEO has to become comfortable with the level and type of experience behind the advice that is being given. The same holds true for other members of the executive team and the board.

The Trusted Advisor Understands Power

The ability to understand the nuances and differences between the power associated with the senior HR position and the personal power that comes with being an experienced business person is often what will set apart those senior HR professionals who become effective as trusted advisors from those who do not. In my opinion, what sets apart the more effective senior HR professional from the others is the ability to have both the position power and the personal power needed to earn a seat at the table and to operate in a manner in which the two types of power are neither abused nor ignored depending on the business situation involved.

The Trusted Advisor Is Politically Astute without Being Political

Political astuteness paradoxically usually requires not being political. The senior HR professional understands the political reality of an organization, particularly the environs of the C-Suite and the boardroom. These venues can often be stages for political theater of the highest order. The senior HR professional who is a trusted advisor has to know and understand the politics of what may be at play but not be viewed as a political player. The senior HR professional who is a trusted advisor is expected to understand and be able to relate to the politics of the "care and feeding" of the board that the CEO must perform. The political realities of dealing with other members of the executive team that confront the CEO also must be appreciated. In the process of acting as a trusted advisor, the senior HR professional cannot be viewed another political being that has to be dealt with.

Courage and the trusted advisor

Each senior HR professional who expects to operate at the trusted advisor level has to have courage. This is a characteristic that isn't usually developed overnight. Later in my career, I rarely had difficulty handling tough situations with senior managers because the need to show courage had been developed earlier in my career. As an example, I had to find the courage to stand up to a powerful CEO of a large US-based oil company though I was not a C-Suite level executive.

I had been in charge of reevaluating the senior level jobs in the company after a reengineering project changed the organization dramatically. As part of the process, my team evaluated the level of a position held by an executive who was not universally popular among some of the other senior executives. Our evaluation resulted in what would have been a promotion for the incumbent based on the responsibilities of the reengineered position. Some senior executives were not happy with this and had obviously put pressure on the CEO to reverse our evaluation. I was called to the CEO's office as head of the evaluation team, along with the reengineering project leader to whom I reported, and the senior vice president of HR.

It became clear after a very short time that the CEO was not happy with the evaluation and wanted it changed. As I explained that we had used a consistent process and there was no basis to arbitrarily change the evaluation, the CEO became angrier and spoke louder while continuing to question the evaluation.

After seeing I was getting nowhere with the calm rational approach, I also raised my voice for one of the very few times in my career when dealing with a CEO and said, "As CEO you can decide what you want done with this position, who goes into it and at what level but I can't arbitrarily change the evaluation. If we do, all the credibility of what we've done in evaluating the dozens of other jobs will be lost." The senior vice president of HR who had given me strong support on the project intervened. Tempers cooled and I left. The head of the project and the head of HR stayed behind. I went home that evening and told my wife about the encounter with the CEO and that I may need to be prepared to be out of a job when the reorganization was completed.

We didn't change the original evaluation and I wasn't let go. I don't know what took place after I left the CEO's office, but a few months later I received a significant promotion as part of the company's reorganization.

How the CEO Benefits from the HR Trusted Advisor Relationship

There is of course a great deal of logic in the expectation that the senior HR professional can and should play the role of trusted advisor to the CEO. Most of us realize that, despite the hefty salary and benefits that come with the role, the CEO of a modern organization in many respects—cliché aside—could be viewed as being caught between a rock and a hard place. There are quantifiable business goals and objectives that must be met. There are expectations from shareholders and the board. There are various voices from different members of the executive team competing for the CEO's attention. There are pressures from the public and the community at large. There are the demands on the CEO associated with the general leadership duties of the enterprise.

Generic Benefits for the CEO from the Trusted Advisor

A CEO, as part of the coaching process we discussed earlier in this book, may already have a relationship of trust with the senior HR professional. The CEO, therefore, gains a trusted advisor who brings all the generic personal qualities that should be present in a good coach and more:

- **Consistency**—The senior HR professional will probably have demonstrated a consistent approach in the interaction with the CEO. It is unlikely that a senior HR professional who blows hot one moment and cold the next will have been able to establish the foundation of consistency needed to become a trusted advisor the CEO.
- **Reliability**—Earlier in this book, we discussed the importance of HR "getting the laundry out," which means establishing the characteristic of reliability. The CEO is likely to have an advisor in the senior HR professional who can be relied on to say what they will do and do what they will say.
- **Candor and honesty—**In some companies, the ability to have forthright and candid discussions is referred to as "straight talk." The trusted advisor status of the senior HR professional results in an expectation by the CEO that objective and honest advice will be given. I am not aware of any successful trusted advisor relationship in which straight talk between the senior HR professional and the CEO isn't the norm.
- **Confidentiality and discretion—**The CEO gains a trusted advisor in the senior HR professional who has likely demonstrated a track record of discretion. The CEO can discuss a range of sensitive issues with the confidence the topics will be treated as confidential. The discussions may focus on the CEO's relationship with the board or other members of the executive team. On occasions, the CEO may discuss issues that are very personal, for example difficulty with marriage and family, or a personal health concern.
- **Flexibility—**The CEO will usually find in the senior HR professional a trusted advisor who is flexible. The manner in which a CEO will use the senior HR professional as trusted advisor can vary. Some CEOs may use the trusted advisor to engage in active and lively debate. On other occasions, the CEO may need to talk through the knotty aspects of a

problem with the expectation that the senior HR professional will not say much. In these instances, the CEO really doesn't want the senior HR professional to do anything but listen. The CEO will usually find that the senior HR professional who is treated as a trusted advisor understands the varying dynamic of the relationship and has the flexibility to adjust.

An Antidote to the "loneliness at the top" Syndrome

In theory, and in practice, the concept of senior HR executive as trusted advisor to the CEO is driven by the "loneliness at the top" syndrome associated with being chief executive of a modern organization. As basic as it may seem, one of the primary benefits the CEO receives from the trusted advisor relationship is another person with whom issues, concerns, and problems, and the like can be discussed and or debated. If the CEO views the senior HR professional as a trusted advisor, the two will likely spend a great amount of time together discussing issues that deal with the CEO's relationships with the board and the other members of the executive team, and the strategic business issues confronting the organization.

While there has always been attention focused on the loneliness at the top a CEO may experience, the same may be true for the senior HR professional in the C-Suite. The nature of the trusted advisor role often means the senior HR professional in an organization must be able to form judgments about business situations, or the performance or behavior of other executives, including the CEO. This may be unpopular. At some point, the senior HR professional in the C-Suite is likely to feel very alone in the position. The more effective senior HR professionals in the C-Suite understand that this is a feeling that sometimes comes with the job.

Objective Business Advice and Counsel

Though surrounded by many people, and expected to interact with even more, the CEO may actually be cut off from receiving some of the advice and counsel that are critically important in the role because of the insularity that sometimes comes with the position. This is where the senior

HR professional can play a vital role. If the relationship is one in which the business acumen of the HR professional is recognized and valued, the discussions may deal with business strategy or proposals. The senior HR professional who understands the pressures and demands of the CEO position, who also knows and understands the business and the business strategy, can help the CEO sort through some of the difficult decisions that must be made by providing objective and thoughtful advice. It is easy to understand why advice and counsel is highly valued and sought after, especially when it is given without the purpose of self-aggrandizement.

How the Executive Team Benefits from the HR Trusted Advisor Relationship

The executive team collectively, and often individually, needs a trusted advisor. As covered earlier in this book, the senior HR executive who attempts to play that role needs to first be viewed as a peer who has demonstrated an understanding for the business and the functional areas headed by the individual executive team members. The effectiveness of the senior HR professional is further enhanced when the trusted advisor role is for the benefit of the executive team as a whole and not just the CEO.

All the Generic Benefits

The executive team also gains all of the generic benefits covered in the previous section about the CEO when the senior HR professional acts as a trusted advisor. There are additional benefits that the executive team collectively and individually gains that are discussed in the next sections of this chapter.

The executive team collectively, and often individually, needs a trusted advisor

Partnering with the CFO and General Counsel as Trusted Advisors

The CFO and general counsel are executive team members who will often interact with the CEO on sensitive and difficult business matters. They may or may not be viewed as a trusted advisor in the same way as the senior HR professional. Regardless, both must have the confidence and trust of the CEO because of the responsibilities and topics associated with their jobs. The senior HR professional should also be able to establish a relationship of trust with these two key executive team members as a result of the nature of the interaction on a day to day basis.

There is a close link often with the finance function on the basic processes that have an HR and finance overlap, such as payroll, compensation, benefits, and particularly pension plans. The senior HR professional has to demonstrate a good knowledge of the business and an understanding of the financial principles and issues that are part of the CFO's world in order to become a trusted advisor of that individual team member.

The nature of some of the more sensitive business issues involving HR may also require close work with the legal function and the general counsel. Examples may be instances of sexual harassment, discrimination, or fraud. The general counsel in these cases is given the opportunity to see if the senior HR professional is able to handle these issues with discretion and good judgment. The general counsel who has developed a sense of trust in the senior HR professional as a result of interaction on these issues will probably be inclined to trust the advice that will be given on other issues.

The senior HR professional who does not view the role of trusted advisor as in competition with these other members of the executive team is likely to help them in their respective sensitive and critical conversations with the CEO. If anything, the CFO and the general counsel as members of the executive team benefit by having the senior HR professional as another member of the executive team who can engage the CEO on some of the toughest and most sensitive business problems the enterprise may face. When the senior HR professional acts as a trusted advisor to these two executive team members all three normally get a better perspective on how to best provide advice and counsel to the CEO.

The trusted advisor role that the CFO or general counsel may play with the CEO will probably have the missing dimension of an intimate knowledge of the people aspects of the organization though the business and strategy knowledge may very well be there. However, the senior HR professional who has demonstrated their understanding and knowledge of the business, the business strategy, and the people aspect of the organization brings a perspective that will be valued greatly by the CEO, CFO, and general counsel. If the CFO, or general counsel, or other executive team member, has an understanding of the business and the strategy and seems to have a better understanding of the people issues, the senior HR professional in such an instance is unlikely to really have a firm footing within the executive team and is probably a very long way from ever being viewed as a trusted advisor by anyone in the C-Suite or on the board.

My personal CFO and general counsel connection

At my last employer, I had what I considered to be a strong professional and personal relationship with both the CFO and the general counsel. Both of these executive team members would spend time with me discussing the strategic business issues we faced and what they meant for the future of the company. The general counsel and I worked closely on board-related personnel issues with the CEO. The general counsel as secretary to the board was, of course, closely involved in the preparation of HR-related materials that went to the board for review and approval. I also came to greatly value the general counsel's business insights and political savvy. The CFO and I served together on the internal investment committee that was responsible for oversight of the company's very large pension fund. I enjoyed being able to give my thoughts about the possible direction of our investment strategy although the CFO's ideas were always a bit more on target. I believe my association with these two executives helped hone all our business skills.

The CEO May Use the HR Trusted Advisor to Improve Team Communications

The trusted advisor role can mean the CEO will use the senior HR professional as a communication channel with other members of the executive team. The hope in all organizations is for open and straightforward communication from senior leadership. The reality is some CEOs are reluctant to have certain conversations with members of the executive team out of concern for the effect on the working relationship between them. There will be occasions when the executive team member will benefit from the informal messaging that the senior HR professional conveys from the CEO.

The Executive Team Has a Trusted Advisor During Organization Change and Crisis

Earlier in this book we discussed that organization change and crisis affects all members of the organization, including the CEO and other members of the executive team. Organization change and organization crisis create environments of stress. One of the reasons to assess the executive team mentioned earlier is to have a sense of how the team will react to and handle stress. If there are problems in the cohesiveness of the team, the stress of a significant organization change or business crisis will highlight those deficiencies. Executive teams in the midst of organization change or a business crisis will have the benefit of the senior HR professional as a trusted advisor to help them sort through the personal and business leadership issues they may face.

How the Board Benefits from the HR Trusted Advisor Relationship

As we discussed, the most effective senior HR professional who is a trusted advisor is someone who fills that role not only for the CEO and the executive team but also the board. The senior HR professional in most companies usually interacts with the board on a variety of issues. The senior HR professional who is viewed as a trusted advisor by the board dramatically leverages the effectiveness of the position. The board also benefits in several ways when the senior HR professional acts as a trusted advisor.

A Channel for Informal Communications with the CEO

There may be occasions when the board needs to make use of the senior HR professional for "backchannel" communications to the CEO. This may take place when the board has a trusting relationship with the senior HR professional and has determined that the HR person has a similar relationship with the CEO. Just as there are occasions when the CEO may be reluctant to have a direct confrontation with certain members of the executive team, there may be occasions when the board is more comfortable sending a quiet word to the CEO via the senior HR professional who is seen as a trusted advisor. The decision by the board to use the senior HR professional in communications with the CEO usually means there has been an assessment that the person is trustworthy.

More importantly, the senior HR professional who is used by the board for informal communications with the CEO has almost always demonstrated an ability to handle a frank and honest conversation with the CEO while maintaining the subordinate relationship. In other words, the senior HR professional who acts as a trusted advisor in informal communications from the board to the CEO knows and acts as if it is part of the job and not an indication of some form of personal power or status.

Increased Confidence in HR Recommendations

Understandably, without trust in the senior HR professional, the board will be suspect of many of the critical HR related issues that may be presented by that person that impact the CEO. The senior HR professional who is viewed by the board as a trusted advisor is unlikely also to be considered a pawn of the CEO. The most visible issue where this suspicion might emerge is executive compensation. If the board does not also have a large amount of trust in the senior HR professional there will be difficulty with recommendations that may affect the CEO and other members of the executive team personally.

Granted, virtually all board compensation committees in the USA now have independent third party advisors who provide advice on executive compensation matters. This makes it even more important that the senior HR professional be viewed as a trusted advisor. The internal recommendations made by HR can be used to triangulate the information the board receives before making its decision. If the information is not trustworthy and subject to severe criticism by the external third party advisor several problems emerge. First, the executive compensation information presented is suspect. More importantly, the board is likely to look at other recommendations from HR with great skepticism. The senior HR professional who isn't a trusted advisor can't operate effectively at the board level, which makes the significance of having a seat at the table in the C-Suite a moot issue.

What can go Wrong with the HR Trusted Advisor Relationship

There are many senior HR professionals who run an excellent HR function and provide all the critical HR processes for their organizations efficiently but who are not viewed as trusted advisors. There are several issues that can prevent a senior HR professional from establishing the trusted advisor relationship with either the CEO, the executive team, the board, or all three. Even when the trusted advisor relationship exists there are things that can go wrong.

Even when the trusted advisor relationship exists there are things that can go wrong

The Senior HR Professional May Fall Prey to the "Faithful Retainer" Syndrome

One of the biggest risks for the senior HR professional associated with the trusted advisor role is being viewed as the CEO's "faithful retainer." In many old movies this was often a servant who was committed to serving the master regardless of the adversity, maltreatment, or injustice that might be heaped upon them.

A large part of the dynamic centered on the master–servant relationship. For the master, the servant represented someone who was readily available with a sympathetic ear. The master's most personal fears and insecurities could be voiced with little concern or embarrassment. The discretion of the faithful retainer could be relied upon. For the servant, the personal sense of worth and stature was enhanced by their very close proximity to the power and authority of the master. The faithful retainer's commitment to service overrode an analysis of the reality of the circumstances. The CEO isn't the master and the senior HR professional who is a trusted advisor isn't a servant so the faithful retainer syndrome is something definitely to be avoided.

The faithful retainer risk for some embedded HR professionals

In principle, the purpose of embedding HR professionals in an organization is to reduce bureaucracy and make sure that the leadership of the organization has built-in advice and counsel on people issues. Over the years, I have seen some HR professionals succumb to the faithful retainer syndrome when they are embedded in a "line" organization that has a demanding and often charismatic leader. A former HR colleague of mine who was embedded in a marketing organization took strong objection to the corporate guidelines we had in place about pay for performance. The embedded HR professional was reflecting the criticism of the guidelines by the organization's forceful leader. Unfortunately, the colleague refused to accept the reinforcement of the guideline by the HR functional head. My former HR colleague even pressed the issue during a holiday gathering at the home of the HR functional head. With many of us in attendance, the former colleague personally berated our host, who was also the embedded HR person's functional boss. The next day the HR functional head had a meeting with the organization leader to bring closure to the issue. During the meeting, my former HR colleague who was embedded in marketing learned that the organization leader had become suddenly less critical of the corporate guidelines once the HR functional head was there in person to confront the issue. My former HR colleague never recovered from the burning of bridges that took place during the holiday party and left the company shortly thereafter.

Two-way Trust with the CEO May Not Be Possible

One of the first things that any senior HR professional in the C-Suite should determine is if it is actually possible to have a trusted advisor relationship with the CEO. In my opinion, whenever the trusted advisor relationship with the CEO is discussed, it is understood that the most effective relationships of this type require two-way trust. The majority of HR professionals strive to fulfill their responsibilities in a competent manner with the appropriate respect for organizational authority. Unfortunately, there may be occasions when the senior HR professional will not be able or willing to build a relationship of trust with the CEO.

I will be the first to admit that if there isn't a degree of mutual respect and trust, this can impact the willingness of the senior HR professional to give that extra measure of sage advice and counsel. This prevents the HR professional from being able to act efficiently as a "trusted advisor." As with any employment relationship, the senior HR professional who sees it is difficult to ever establish a true trusted advisor relationship with the CEO has to decide if continued tenure at this company is in line with their professional and personal goals.

The CEO May Not Want the Senior HR Professional as a Trusted Advisor

Does the CEO really want an HR person as a trusted advisor? A senior HR professional shouldn't think that the CEO will not rely on anyone else as a trusted advisor. We have discussed that many CEOs do rely on others as a trusted advisor. Most CEOs have a former colleague, or former boss, or schoolmate who may play that role in some respects. The two-way street aspect of the trusted advisor relationship means it is possible for a senior HR professional to know the business, understand strategy, and have a good understanding of how this relates to the people aspect, but may not become the CEO's trusted advisor. There are some CEOs who are incapable of looking past their own long held views of what HR is all about and what could be accomplished to leverage their personal effectiveness through a different and more robust relationship with the senior HR professional.

Some CEOs Think Trusted Advisor Means Trusted Informer

There is always the risk that the trusted advisor role will result in an expectation by the CEO that the senior HR professional will also take on the role of informer on other members of the executive team. There is a delicate balance between providing the CEO with information that is needed to assist in improving the overall effectiveness of the team and satisfying the desire by some CEOs to know everything and anything that is going on within the team.

The relationship between the CEO and the senior HR professional has to have sufficient trust for the CEO to be confident that the senior HR professional will use good judgment and will convey information that the CEO truly needs to know. If the other members of the executive team feel that the HR professional cannot be trusted to keep their confidences, the potential effectiveness of the senior HR professional as a trusted advisor will be seriously eroded.

The CEO May Only Want a Career Counselor

As stated earlier, there are some CEOs who won't think of the senior HR professional as a trusted advisor in the fullest sense, in other words, as someone who can help sort through the business issues. In some instances, the CEO who will not use the senior HR professional as a true trusted advisor may still wish to obtain the benefits of a personal career counselor. The senior HR professional in the C-Suite needs to keep in mind that career advice for the CEO may be a part of the role but is not the primary purpose of being a trusted advisor.

The CEO May Violate the Trust Relationship

While it is important that the CEO have trust in the senior HR professional, as stated earlier, it is also important that the trust operates both ways. In the course of confidential discussions with the CEO, the senior HR advisor may convey information that even if it does not violate a confidence from another team member still should not get back to the team member as having been discussed with the CEO. It is important that when the senior HR professional indicates to the CEO "here is information that should stay between the two of us" the information does in fact stay between the CEO and the senior HR professional.

The Executive Team May Resent the Use of the Senior HR Professional as the CEO's Messenger

There are definitely pros and cons to the informal communication approach discussed earlier when the CEO uses the senior HR professional as the trusted advisor to deliver certain messages to members of the executive team. There are occasions when this informal communication method works well and is appreciated. However, the senior HR professional has to be mindful of the risk associated with being viewed as the CEO's "messenger" in those instances when the communication could and should have been made directly between the CEO and the executive team member.

The Senior HR Professional May Be Seen as Trusted Advisor to Only the CEO

Senior HR professionals who disregard the other members of the C-Suite and focus on being trusted advisor to only the CEO are likely to be viewed with suspicion and possibly distrust. Granted, there may be occasions when the CEO and the senior HR professional are involved in issues that should not be made privy to the other executive team members. The senior executives in the C-Suite are bright and understand that on occasions this is a part of corporate life at the top of an organization.

However, these individuals will also be quick to spot a senior HR professional who is only interested in currying favor with the CEO or the board. The executive team is a key to the implementation of many business initiatives that have an HR component. The effectiveness of not only the senior HR professional but the HR function may be compromised if the senior HR professional is not viewed with trust by the executive team. What good is a seat at the table if the board and the other executives in the C-Suite don't trust you?

The Board and Executive Team Trusts the Senior HR Professional but the CEO Does Not

In theory, it is possible to be viewed as a trusted advisor by the board and the other senior executives in the C-Suite but not by the CEO. This frankly might be the worst of all worlds since it makes for some very rough days for the senior HR professional when interacting with the CEO. It is likely that this set of circumstances may arise in cases when the CEO is in trouble with the board, does not have the confidence of the executive team, and is on the way out. Even in this instance it is important for the senior HR professional to provide the CEO with the best objective advice possible on business issues even though a "trusted advisor" relationship does not exist. The senior HR professional is expected to continue to perform professionally in these circumstances regardless of the difficulty of the reporting relationship.

The Senior HR Professional Is Seen as the Board's Spy

The senior HR professional who has the confidence and trust of the board but somehow is not viewed as a trusted advisor by the CEO and the other members of the executive team is likely to be viewed as a spy. And, as is normally the case with real spies, those who get caught are usually subjected to pretty harsh treatment or worse.

The Pros Outweigh the Cons

There is no guarantee that every senior HR professional in the C-Suite will be thought of as a trusted advisor. It is a difficult role and there are potential pitfalls associated with it. Nonetheless, I believe being a trusted advisor to the CEO, the executive team, and the board should be the goal for all senior HR professionals who want not only a seat at the table in the C-Suite but also a viable voice in the stewardship of their respective company or enterprise.

In most instances, the senior HR professional who is viewed as a trusted advisor to the CEO, the executive team, and the board has reached a stage in their business career that has been preceded by solid acquisition of functional knowledge and a demonstration of expertise and judgment. The senior HR professional who is considered a trusted advisor has developed and demonstrated interpersonal skills that are likely to have value in a variety of circumstances. The trusted advisor has to have demonstrated good management ability and leadership qualities. The ability to face difficult discussions with an amount of personal courage is likely present. CEOs are powerful people. If there isn't the personal courage to stand up and say what should be said there is little likelihood of being considered a trusted advisor in the true sense of that term.

The senior HR professional who acts conscientiously and objectively in the role of trusted advisor, in a sense, will view their responsibility as being to a higher authority—not the CEO, other members of the executive team, or even the board. This does not mean that successful senior HR professionals who become trusted advisors have some form of religious fervor that drives them. Instead, the higher authority is the good of the enterprise. This means that the truly effective trusted advisor has a mindset that treats the good of the enterprise as the primary driver for the advice that is given. The adoption of this mindset by the senior HR professional provides the CEO, the other members of the executive team, and the board with advice from a trusted source intended to help them continue to focus on the true north of the business compass.

chapter 9

Navigating Executive Team Wars

The term "team" usually results in most of us first thinking of an athletic team, whether baseball, football, cricket, or basketball. While seated in the arena or the stadium as spectators, we may applaud the cooperation and demonstration of skill on display as our team vanquishes the opposing forces, or on other occasions goes down in defeat while making what we may consider a valiant team effort.

What we see on the field does not always give an accurate picture of what may be the state of the relationships in the team between the players, or between the players and the manager or coach. There are often internal rivalries, disagreements, and altercations that are at odds with the cooperative behavior that might be shown during a game or a match. Most of the time, these problems and issues are displayed behind closed doors in the locker room or out of sight of the viewing public.

For many, the term "executive team" results in an image of a group of persons collectively focused on accomplishing a goal with each member of the team playing a specific role in the process. Some may think that, in an ideal world, the senior leadership of an organization would always operate as an effective and harmonious team. However, in the real world, the executive team in some organizations may exhibit displays of rivalry, jealously, or even outright hatred. It is reasonable to ask, “Is conflict inevitable among members of an executive team? Is it in fact desirable in some instances?”

Is conflict inevitable among members of an executive team?

The HR Professional and Executive Team Conflict

Many may think that when war breaks out between two senior executives, the CEO will sit them both down and give clear instructions to them to cease and desist. However, as uncharacteristic as it may seem, there are some CEOs who work hard to avoid personal intervention in a conflict situation between two executives who are direct reports. In such instances, the CEO will often turn a blind eye to the situation unless it reaches a point that causes the CEO significant concern or inconvenience. The senior HR professional, if viewed as a “fixer” by the CEO, will likely be asked to intervene in such instances.

In all fairness, there are some occasions when the CEO may be willing to intervene in disputes between two subordinates but should not. The senior HR professional in the C-Suite must be willing to let the CEO know when it is time to step in and take action and when it is not. The senior HR professional needs to have the personal skills to successfully navigate the minefield of executive conflict in the C-Suite, including those instances when the CEO is involved, or is the center of the conflict.

Unfortunately, there may be situations when the HR professional may be called upon to play a role similar to that of a referee in a boxing match. Like a good referee, the HR professional who is in the ring with the combatants needs to makes sure neither oversteps their bounds. And while a referee should never start throwing punches, it is often necessary to step physically between the two boxers and push them apart. Unlike the boxing match, where the fighters resume combat after being pulled apart, the goal of the senior HR professional is to get the senior executives to not go back into combat but to operate together effectively.

Sometimes when there is conflict between two members of the executive team it is not always a good idea, or the right approach, that the senior HR professional step in the middle and serve as referee. The importance of each member of the team being able to constructively handle conflict and dispute is important in the development of the team. Let's look at what the senior HR professional in the C-Suite should know about the conflict scenarios that can surface in the executive team.

Understand the Roots of Executive Conflict

The advice that was given earlier in this book that the senior HR professional should not play the role of amateur psychologist still applies. Nevertheless, while analytical psychology is best left to those trained in the field, the senior HR professional does need to be aware that the existence of deep seated emotional drivers that are not easily discernable can affect behavior in the C-Suite and may be the root of conflict between executives.

Beware of the Legendary Iceberg

There is an iceberg that always seems to be used as the analogy when the topic of emotional drivers comes under discussion. That legendary iceberg has been used in countless articles about the drivers of behavior and has been illustrated with varying degrees of artistry. The iceberg is used to make one very important and consistent point about all of us—what is visible above the surface rarely represents the full extent of what lies beneath. And what lies beneath the surface can very often be responsible for much of what drives people emotionally. Individuals occupying the top jobs in organizations have ambition, are driven, and usually have strong personalities. Unfortunately, the inner qualities that help make individuals successful business leaders can also contribute to displays of hostility and rivalry (masked or otherwise) in the C-Suite.

By the time an individual reaches the senior executive level of a company, that person has formulated a set of beliefs about themselves, what it means to be successful, what status or role they should play in the organization, how the business should be run, how people should behave, and so on.

The "business self" is very much influenced by the "personal self" in all of us. Conflict in an executive setting often takes place for the same reasons that conflict takes place elsewhere. The core beliefs or image of self that an executive may have are viewed as coming under attack or not being respected. One of the reasons to have a sense of the personality types of executives on the team as mentioned earlier in this book is to understand the extent to which differences in styles contribute to the state of conflict.

Conflict tied to emotion is sometimes the more difficult to determine. Use of the term "emotion" does not necessarily mean emotional. In fact, it is possible for some executives to have a very emotional response in the midst of conflict as a result of their very objective and thoughtful analysis of an issue or a business decision. Sometimes it is very difficult to ascertain or assess the reason for a conflict that is tied to an executive's emotions. The emotion driving the conflict may rest deep inside the executive and may not be consciously recognized by that person.

The mistake

I worked with a senior executive who realized a few weeks after hiring an executive for the senior team that it was a mistake. Rather than admit a mistake had been made and "cut the cord," the senior executive kept the person on the team. In meetings, the attitude displayed by the senior executive toward the other team member became increasingly hostile. At first, the irritation of the senior executive was not visible although I noticed a slight edge and curtness with the team member that was not present with the rest of us even when we made some boneheaded remark or not well thought-out business comment. The senior executive was able to ignore any gaffes on our part but was hypercritical of the other executive. Unfortunately, conflict between these two became visible to the other members of the team. Although the other members of the team were not necessarily strong supporters of the recently hired executive, they started to share the concern that I had about the senior executive's action and behavior.

The senior executive's behavior was coming close to creating a hostile work environment. Of course, as the senior HR professional, it was my duty to have the conversation with the senior executive. I thought it best to have the conversation with the senior executive shortly after one of the staff meetings. I used the standard approach of asking how the senior executive thought the meeting went. As we have established on many occasions, senior executives are pretty bright and catch on quickly.

This senior executive was no exception and responded, 'I know why you are in here. I was probably pretty rough on the other executive in the meeting. I don't want to be, but something happens that I don't seem to be able to control.' The conversation with the senior executive eventually revealed what was driving the response to the other executive. The senior executive was upset about having made a mistake in hiring the person. The senior executive's career had been a success for the most part with few major mistakes. This hire represented one of the few but very apparent blunders the senior executive had made. It was difficult for the senior executive to admit to the mistake. Unfortunately, this prompted an emotional response that was visible to all of us, including the recently hired executive, who had difficulty understanding why the reaction from the senior executive was so strong. In many respects, what was taking place had less to do with the executive who was not a good fit for the position. It had a lot more to do with the inner emotion affecting the senior executive. It was the root cause of the senior executive's behavior. With a small amount of coaching, the senior executive stopped the displays of hostility. We eventually arranged to let the recently hired executive go on friendly terms.

Good and Bad Conflict

In some respects, not expecting a senior executive team to experience instances of conflict is like not expecting instances of disagreement in the course of family life. Conflict will and does happen in both settings.

But as anyone who is a member of a family knows, there is a big difference between disagreements handled in a reasonable manner and open family warfare. Avoiding dysfunction in the course of the human interaction of family life is the key. The same holds true in an executive team. An executive team needs to be able to deal with the conflicts and disagreements it may experience in the business setting in a manner that does not result in total dysfunction.

The ability to identify and understand the type of conflict at play is a key skill for the senior HR professional in the C-Suite. In some respects, conflict is like cholesterol. We now know from the lectures some of us may have received from our physicians that there is "good" cholesterol—HDL or high density lipoprotein—and "bad" cholesterol—LDL or low density lipoprotein. In an article entitled "The good and bad of conflict,"[1] the conflict resolution expert Ken Johnson describes the two major types of conflict identified by conflict resolution professionals.

Catabolic conflict could be described in unscientific terms as the messy forms of conflict that many of us have experienced in the workplace. According to Johnson, most of us somehow adjust and learn to cope with this type of conflict, which involves poor communication, or feelings of unfair treatment, injustice, abuse of power, exclusion, and so on. In contrast, conflict resolution professionals talk about "anabolic" conflict as the good kind. It is conflict usually characterized by an openness of confrontation and expression of diverse views and ideas. While this form of conflict may eventually result in collaboration and understanding, Johnson points out that because it is often so directly confrontational there is a natural tendency to want to avoid this type of conflict. On the other hand, the catabolic form of conflict can be difficult to identify initially, and may go undetected for a long period of time with destructive results.

While the senior HR professional is normally expected to navigate around the wars between executives on the team, there may be times when they have to be in conflict with the CEO or other members of the executive team. This can be very disruptive if the senior HR professional does not have and does not consistently display the personal skill set that enables "good conflict."

Executive Team Conflict Scenarios

All executives should be aware of the importance of handling conflict without creating an environment that becomes overly emotional. When emotions get out of control, there is the real risk of stifling legitimate debate and problem solving. In addition, the team's productivity is very likely to be impacted. The senior HR professional with a seat in the C-Suite may be required to address and help diffuse some situations of conflict within the executive team. Use of the qualifier "some" is intentional. There may be occasions when conflict within the executive team can actually be useful and may lead to better business decisions. As many senior HR professionals may already know, the difficult aspect of dealing with executive team conflict is identifying if it is the right type.

When emotions get out of control, there is the real risk of stifling legitimate debate and problem solving

The senior HR professional should be prepared to step in when the conflict between two executives is negatively impacting the team. The senior HR professional should use basic intervention techniques. The starting point is a straightforward conversation with the more aggressive executive that indicates the conflict has been observed and that it is having an effect on the team.

Yin and yang

I had the opportunity to be part of an executive team that had two members whose standard operating procedure with each other was anabolic conflict. These two executives had different views on how the business should be run. Each had a differing view on how to handle customer relations, product pricing, and other critical issues. Both had been in the business many years and each had developed different personal perspectives on it. While there may have been a small amount of teasing that took place in their preambles leading up to their respective points of disagreement, both would usually make sure that their particular point of view was based on a well thought-out analysis. Though many business issues would often result in conflict between them, their discussions stayed within bounds and did not cross the line into personal attacks. Because the "managed state of conflict" between the two executives was well known, it had the benefit of signaling that an agreement between the two generally meant that we were on the right track as far as the intended course of business action.

The Hatfields and McCoys and other Conflict Scenarios

One of the more colorful and legendary events in American history was a feud that broke out between two families in the Kentucky and West Virginia region of the United States shortly after the Civil War. The two families were the Hatfields and the McCoys. From the 1860s until around the turn of the century, the two families engaged in acts of brutal savagery against each other. The family feud was the result of a dispute that reportedly started over a pig. Each clan had a strong leader intent on protecting what was viewed as the respective family's well-being no matter the cost. "Hatfields and McCoys" is now shorthand in America to describe an intense and bitter rivalry between two parties. In some extreme cases, a senior HR professional may find a situation exists in the C-Suite between two or more executives similar to that of the Hatfields and McCoys. There are other conflict scenarios that may also confront the senior HR professional.

A quick guide to executive team conflict scenarios

- CEO and one team member conflict
- CEO and multiple executive team members conflict
- Two executive team members conflict (horse race)

- Two executive team members conflict (clash of the titans)
- Two executive team members long-standing conflict (Hatfields and McCoys)
- Two executive team members conflict (the other executive is not in my league)
- Multiple executive team members conflict

CEO conflict with one executive team member—Rarely will a CEO admit to having a favorite on the executive team. However, this is in fact often the case. There may be an old school connection, or a shared personal style that results in a very effective personal and professional relationship between the two. Or the CEO may consider the favored executive team member a protégé to be mentored and further developed.

On the other hand, I have found that a CEO may also have interpersonal difficulty with a member of the executive team that may or may not be easy to spot. Some CEOs are better able than others to mask their dislike for someone who reports to them. If the senior HR professional is doing one of the important roles mentioned earlier in this book, namely constantly monitoring the dynamic of the executive team meetings, the overly negative action of the CEO toward one member of the team will probably be apparent. The questions from the CEO to the executive that have a little more of an edge, the facial expressions following a comment by the executive, and basic changes in the CEO's body language when dealing with the executive can all be signs.

CEO conflict with multiple executive team members—This conflict scenario can often take place when a CEO has a strategic vision and goals for the organization that may go against the business views held strongly by some members of the executive team. This type of conflict may occur if the CEO is attempting to "turn things around" in the organization, or if there is an entrenched culture that some members of the executive team continue to embrace.

In some instances, there may be members of the executive team who feel slighted who were passed over for the CEO position. In other cases, the CEO may be new to the organization and is in the process of trying to ride up a steep learning curve and is surrounded by an executive team that has a deeper knowledge and understanding of the business.

"Horse race" conflict—The CEO and/or the board may have made it clear to one or more members of the executive team that they are a potential successor for the top job, leading to a classic case of "horse race" conflict. This may result in actions by one or both of the members of the executive team that have repercussions throughout their respective organizations.

"Clash of the titans" conflict—This form of conflict may take place between two very senior executives who have substantial responsibility for large and important segments of the business. In many major corporations, some senior executives are managing segments of the business that would equal the size of standalone companies elsewhere. These senior executives are like CEOs in their own right and will often have the ego, power drive, and intelligence expected of someone occupying such a position. The basis of the conflict may be a rivalry to be seen clearly as the number two power in the company after the CEO.

The rivalry may be prompted by a sense of competition to replace the CEO, though a horse race hasn't been declared. This may happen when one or both executives instinctively know they may be considered for the top job and want to make sure their individual performance and standing is not subordinate to the other senior executive.

"Hatfields and McCoys" conflict—In some instances, the conflict between two executives may be long standing and may be traced to some business event or decisions that occurred earlier in the relationship and possibly before both became senior executives. The conflict today may have roots from long ago.

The "Hatfields and McCoys" conflict can have several characteristics. There can be guerilla warfare (sniping behind the back), or an open shooting war (emails, memos, and the like), or all out nuclear conflict (face-to-face displays of animosity, anger, and emotional disagreement). The type of war that will be waged between executives will often depend on the culture of the organization and the role of the CEO when addressing conflict among executive team members.

Not in my league conflict—In some instances, the basis for the conflict between two executives may be because one of the executives does not feel the other measures up to what is needed to be a senior executive. In this instance, the senior executive who considers the other a "lightweight" and not in their league is likely to question the business decisions of the executive, the actions of the executive's staff, and employees in the function. In some respects, the executive may be resentful of the self-perceived diminishment of their status by having a peer who in their opinion doesn't measure up.

Multiple executive team members' conflict—This conflict may be the result of introduction of a "non-right" type to the executive team. If an executive team has been together for a period of time, conflict may take place when a new member is added because of internal promotion or recruitment from outside the organization. In some instances, an executive(s) may need to leave the organization to aid the process of improving the overall effectiveness of the C-Suite.

A special tension

In my experience, negative conflict among executive team members may at times revolve around the feeling by one executive that the other executive is not pulling their weight. While the other members of the team will complain and express negative feelings about an executive team member who is viewed as not in their league, a special type of negative tension seems to arise when another executive team member is viewed as having ability but, for whatever reason(s), is not contributing with the same effort or commitment that the other team members may expect. The executive team member who is viewed as not pulling their weight will result in an undercurrent in the team that is more difficult to correct than an instance of an executive team member having a performance deficiency due to a lack of ability.

Race, Gender, and Sexual Orientation Based Conflict

The more difficult cases of team conflict are those that are rooted in difficulties by one team member with another because of gender, or race, or sexual orientation. As we have discussed, when a senior HR professional is confronted with a situation in which a member or members of the executive team have difficulty with another executive, the first challenge is to make sure the true reason(s) for the conflict is determined and fully understood. This becomes especially important to know and understand, but possibly much more difficult to determine, if the executive with whom others have a problem or conflict is a member of a minority group, or is a member of the opposite sex, or is someone who has a same sex domestic partnership. In an ideal world, none of this should impact workplace relationships. Unfortunately, it does. Conflicts that the senior HR professional considers rooted in these reasons obviously have to be addressed quickly and with the appropriate action taken to prevent the company from violating laws and or being subject to potential lawsuits.

A woman in the C-Suite opens the possibility of conflict because of the male executive team members' lack of exposure to assertive female executives. What might be considered "assertiveness" in a male colleague may be reacted to negatively when displayed by a female executive. At the time this book was being written, there was a discussion in the media around the use of the term "bossy" to describe women who are assertive and demonstrate many of the qualities that are considered admirable when found in a man. However, when those same qualities are exhibited by a female she is considered "bossy," a pejorative characterization. The male members of an executive team who are not comfortable with assertive females may find themselves in conflict for reasons that have to do with those beneath the surface personal beliefs we briefly discussed earlier that may not be realized.

The senior HR professional may need to deal with conflict between two female executive team members. The conflict may have the same causes as a conflict situation that could exist between two male senior executives. However, the conflict may be characterized by male members of the executive team with a wink of the eye as "something that always happens" between two women. Conflict is conflict and the senior HR professional has a responsibility to make sure it isn't further complicated by outmoded attitudes that need updating.

Conflict and company culture

The impact of the company culture on how conflict is handled should not be overlooked. My tenure as a senior executive in an energy company in the nuclear industry is a good example of how culture can affect how conflict is handled. Because of the potentially dire consequences of a nuclear event, the industry has worked hard at creating what is called a "safety conscious work environment" that has broad workplace implications. A feature of this work environment is the requirement that all employees feel free to raise concerns that could impact safety or operations. As a result, it is very important that employees not feel "chilled" or reluctant to raise issues and concerns. Companies may be penalized if employees bring to the attention of nuclear regulatory authorities instances when a chilled environment prevented them from raising legitimate concerns. As a result, supervisors, managers, and executives could not berate or treat employees harshly lest they be accused of creating a "chilled" environment. It made for a more civil environment in which conflict took place that for the most part was without the histrionics sometimes found in other companies with different cultures.

Conflict and Better Business Decisions

As discussed earlier, conflict among executives is not always a bad thing. The case can be made that conflict among executives may make for better decision making if handled in the right way. The key is to have an environment in which conflict and differences of opinion do not result in dysfunction. As established earlier, we all come to the table with a set of beliefs, including how best to conduct business. The climate and culture in the executive team should set a tone in which each member of the executive team is expected to provide their perspective on major business strategies and issues even though it may result in conflict with another executive.

conflict among executives is not always a bad thing

Business Analysis Conflict

There is one form of executive team conflict that may yield positive benefits: conflict based on differing business analysis. Earlier, we talked about the fact that executives bring with them the sum of the experiences they have had on the way to the C-Suite. It is very possible that the business experience of two executives means they see a business situation or opportunity quite differently. In the executive team, there may be conflict between two or more executives over the approach that may be taken to a business decision or course of action.

Conflict based on differences about business strategy require time and attention and should be encouraged as long as the conflict is within bounds.[2] Granted, a conflict based on what may appear to be differences about business strategy may in fact be based on rivalry or be influenced by emotion. The senior HR professional needs to be able to determine what are the true underlying reasons for the conflict. The efficient executive team that functions well will encourage expression of differing opinions on business issues to make sure that the best decision is reached and that rivalry is pushed aside during the decision making process. Conflict in this instance means each executive team member is able to express the basis for disagreement with the others on a particular business strategy.

Strive for "Managed Confrontations"

Earlier, we discussed that the senior HR professional's hopes for a climate in the C-Suite where there is never any conflict are unrealistic and actually undesirable. If no conflict or disagreement is considered possible, members of the team will likely feel emotionally stunted and may exhibit their frustration in other ways. My longstanding belief has been that executives have to be able to conduct "managed confrontations." This is based on the fact that conflicts and confrontations are a fact of life in the world of business and other pursuits. The more important aspect is how the conflict or confrontation is handled or managed. An important first step is to attempt to understand any emotions that may be involved in the issue under discussion.

Many times, the conflict will initially materialize in the forum of the management team meetings we discussed earlier in this book. During the course of disagreement, the participants in the discussion should understand what is and is not accepted behavior. If you are a senior HR professional in the C-Suite, you may be called upon to help make sure the business debate stays on track and that everyone around the executive table has the opportunity to express a view. The CEO or other executives may have difficulty maintaining objectivity and neutrality during an exchange of views on a difficult topic. This may impact the willingness of others to express an opinion. The senior HR professional needs to intervene when this happens. The ability of an executive team to engage in conflict in a positive manner is reflective of the strength of the team.

Always Act as An Honest Broker and Trusted Advisor

As we have discussed, an executive team will often have internal rivalries and displays of disagreement, although there is normally an attempt by senior executives when in the presence of employees to display a semblance of cooperation and camaraderie. However, behind the closed doors of the C-Suite, the senior HR professional may find interpersonal relationships between executives that can be variously described as frosty, or hostile, or warlike.

The senior HR professional in the C-Suite will sometimes find it necessary to identify and understand the underlying reasons for the state of bad relations between two or more executives. The goal of the senior HR professional is to determine what can be done to make sure the situation does not plunge the executive team into a state of dysfunction. In cases of executive team conflict, it is critically important that the senior HR professional remain "above the fray" and act as an honest broker and trusted advisor working to resolve the conflict.

The senior HR professional will be aware that the conflict may be manifested in various forms and scenarios. In some instances, there may be more than one executive who has a problem with a particular team member. When this takes place the executive who is the target of the conflict may feel isolated and alone. It is very likely this person will be unwilling to expose themselves to further conflict or criticism from the other team members. In effect, the executive shuts down. I have been in executive team settings where an executive in conflict with others around the table said nothing during the course of a 90-minute meeting. Such behavior has the effect of adding fuel to the fire if the conflict stemmed from the belief that the executive was not in their league and should not have had a seat at the table. The management of conflict means that all companies should strive for an environment in which conflict can take place without "chilling" any of the individuals involved.

In other cases, executive team conflict can be centered on what is perceived to be poor performance by another executive. The senior HR professional should work closely with the CEO and other executive team members to make sure the "poor performance" is objectively analyzed. Where performance needs to be addressed, coaching should be initiated to help address the issue. It may be discovered that the executive's performance, in fact, is not an issue but is used by the other executives as an excuse for conflict. The senior HR professional needs to have a managed confrontation with the aggressive executive(s) to understand the root of the conflict.

The senior HR professional who has to engage as a negotiator in the midst of executive team wars has to make sure not to become a casualty of one of the battles. The senior HR professional's best protection in the midst of conflict is to be seen by the CEO and other executives as an honest broker willing to help resolve legitimate concerns. If the senior HR professional is seen as improperly siding with one executive against another it may have the effect of further exacerbating the level of conflict and dysfunction in the team.

The effective senior HR professional understands that there are certain benefits to executive team conflict. Conflict between executives certainly makes them understand what they may disagree about. But it can also have the benefit of making it possible for the executives in conflict to understand what may be areas of agreement. The challenge for the senior HR professional when navigating executive team wars is to first understand the nature of the waters of conflict.

While the conflict relationship of two executives is entirely different, there is some similarity in the advice given to couples about the ability to learn to fight in a constructive way. The advice, in effect, acknowledges that conflict among those who have a close personal relationship is likely to take place. What is more important is to determine what can and should be done so that the manner in which conflict takes place, and is resolved, is not destructive to the overall relationship. The ability of the senior HR advisor to assist in these situations is directly related to the extent to which the person is viewed as an honest broker and a trusted advisor.

chapter 10

The Board, the C-Suite, and HR

When most HR professionals bemoan the lack of a "seat at the table" they are usually referring to the inability to impact the strategic decision making that takes place in the executive suite. There is no arguing that a seat at the table in the executive suite, of course, represents a very important role for HR. As we have discussed earlier in this book, the senior HR professional with a seat at the table in the C-Suite can play an absolutely critical role in increasing the effectiveness of the CEO and the other senior executives of the enterprise. The senior HR professional in the C-Suite with a seat at the table does this by helping to improve the senior executive team's knowledge and understanding of effective human resource management.

As critical as this role may be in the C-Suite, in my opinion, there is an equally important and sometimes more challenging role for the senior HR professional to play in assisting the board of directors in discharging its responsibility of effective governance of an enterprise. So, while many HR professionals are still seeking seats at the tables in various C-Suites, those that have successfully earned one also need to focus on the skills required to be effective in a seat in the presence of the board at the table in the boardroom. To operate effectively in the boardroom, the senior HR professional should know and understand the straightforward operational aspects of most boards but, more importantly, the sometimes complicated dynamic that may involve the board, the C-Suite, and HR.

HR and the Changed World of Board Membership

In the minds of many, the responsibilities and personal risks associated with board membership have increased dramatically over the years. At one time, the directors of most companies were considered members of a very elite and restricted club. The boardroom was usually the club-house for this privileged group. The membership of this club was drawn from a very limited demographic of society. The responsibilities of many boards were not overly taxing. The compensation for the role was often very generous and the perquisites were enviable. Let's face it—it was not that long ago that being a member of the board of directors of a company was a very cushy job.

Today, being a member of the board of directors of a company is still a position with considerable rewards and benefits. However, the operation of most boards is now closer to the original intent for their existence. A board, more than before in recent times, is expected to provide effective governance of the enterprise that closely monitors the performance of the CEO and other executive officers and holds them accountable. A board today is much less likely to appear to be a restricted and elite club than in the past and will probably have a different look and composition as increasingly more females and minorities are recruited for board positions.

Today's directors continue to come from the executive ranks of business. Others are educators, attorneys, and various professionals. Most members of a board of directors are experienced individuals in their respective vocations. However, there are very few board members of companies who are skilled and expert in HR. As a result, we are seeing the beginning of a trend that has senior HR professionals recruited to serve on boards. Some of the more sophisticated and forward thinking companies that realize the strategic importance of HR understand that the board can benefit from having a member with expertise in this function. Not all boards are there yet, but more and more are moving in this direction.

The impact of boards of directors is more visible today, as they address a broad range of business topics. Today's boards are increasingly concerned with issues that would not have occupied their attention some years ago. Directors today have a heightened awareness of their responsibility to protect the interest of shareholders and the communities in which their companies operate. Today, a board's activities may include increased focus on issues of diversity, environmental protection, business continuity, corporate sustainability, and ethical behavior.

One of the areas that boards increasingly grapple with is what does it mean to provide oversight that is in the best interest of shareholders and other key stakeholders? Up to now, the oversight that boards have provided that is assumed to be in the best interest of shareholders has typically been financially oriented. In other words, the focus of the board has normally revolved around a few financial questions—Is the stock returning what it should in monetary terms to shareholders? Are the financial practices of the management on the up and up? Are the company's financial books in good order? Is the amount of executive compensation at the right level?

However, with increased technology and the ability of almost all companies to take advantage of sophisticated financial techniques that in the past were available only to the largest of companies, it is unlikely that boards of directors are actually able to add real value by concentrating only on the financial aspects of an enterprise. Today, a board must take a more "holistic" approach to governance. For example, it is as important for a board to make sure that the "HR" process of CEO succession is in place as it is to review the quarterly financial results. The real value that boards can now add comes from their ability to understand and focus on the human resource management aspects of governing an organization.

Today, a board must take a more "holistic" approach to governance

What are boards normally expected to do?

- Approve the hiring and the appointment of the CEO and other executive officers of the company
- Review the performance of the CEO and other executive officers
- Determine the appropriate levels of compensation and performance incentives for the CEO and other executives
- Allocate and approve the use of the company's financial resources
- Authorize and approve mergers, acquisitions, and divestitures
- Approve budgets and financial statements
- Set the strategic direction of the enterprise

HR and the "Big Three" Board Committees

The bulk of the governance work that a board of directors performs is often conducted in what I think of as the "big three" committees. The names may differ from company to company but normally the big three committees of a board are related to:

- Finance and audit
- Nominating and governance
- Compensation

The government regulatory agencies and trading organizations that govern the operations of publicly traded companies provide rules that dictate how these committees should function. These committees will often coordinate closely with each other on the financial performance of the company, the work performance of the CEO, and the ultimate compensation that should be paid to executives. The senior HR professional in the C-Suite will often interact with one or more of these big three board committees. Let's briefly look at these big three committees and what may be expected of the senior HR professional who interacts with them.

Finance and Audit Committee

As the name implies, the finance and audit committee is charged with making sure the financial aspects of a company operate properly. In the USA, regulations usually state that the finance and audit committee members are required to be "independent." In other words, members of this committee should not have ties to the company through some way other than board membership. There is also the critically important requirement that the members of the committee be financially literate. At least one member of the audit committee is expected to be expert in accounting and financial management. A company I worked for was experiencing financial difficulty because of the cost of a major technology project it was deploying. We took a very conservative approach and recruited the former CFOs of two large companies for the committee. We were cognizant of the scrutiny that was likely to be focused on the governance activity of the finance and audit committee. The head of the committee was a financial management consultant and a CPA. Many companies will have finance and audit committees with a similar composition.

This board committee interfaces with the outside auditors of the company. As many readers will know, the relationship of outside auditing firms with the finance and audit committee has been greatly impacted in recent years by the Enron scandal and the consequential demise of the prestigious audit and accounting firm Arthur Andersen. (The demise of Arthur Andersen, although it technically still exists in a dramatically reduced form, is particularly ironic since the namesake of the firm was known for refusing to engage in shoddy accounting practices in the 1900s to accommodate clients who had financial problems with their books.)[1]

The CFO will probably be the primary C-Suite executive with responsibility to liaise with this committee. However, it is very possible that the senior HR professional in the C-Suite will also interact with the finance and audit committee in connection with the financial aspects of the pension, savings, or stock ownership plans, or the like. The importance of being comfortable with finance and accounting principles discussed earlier in this book really hits home when the senior HR professional must interact with the finance and audit committee of a board of directors. These are usually "heavyweight" individuals who expect good financial acumen from those with whom they interact.

The more effective audit and finance committee of a board is very unlikely to apply a "double standard" of financial competency when it comes to the senior HR professional. In other words, the senior HR professional who interacts with the finance and audit committee will be expected to be as familiar with the financials of the company as any other member of the C-Suite. In my experience, the expectation of a board, or a board committee, when interacting with a senior management team is that each executive, including the senior HR professional, is a competent business person who has the general management ability and financial acumen required to occupy a seat in the C-Suite. It is critically important that the senior HR professional in the C-Suite really understands the financials.

Nominating and Governance Committee

Another key board committee is nominating and governance. Generally, regulations require that this committee also be comprised entirely of independent directors. In practice, this committee is usually the hiring authority for new board members, although there may be substantial input from the chairman, CEO, and the corporate secretary. If an outside search firm is used to assist in filling the board vacancy, it is normally this committee that will oversee the effort. HR may be enlisted to assist in the process in recognition of its familiarity with search firms.

Many consider it best practice that the nominating and governance committee will also oversee the development and operation of the charters of all the other board committees. In my experience, this committee is also involved in monitoring how effective the various committees and the board as a whole are in conducting their activities. (We'll discuss board and committee self-assessments later in this chapter.) CEO performance and succession are areas of prime responsibility of this committee. Understandably, these are areas where there may be close involvement of the senior HR professional. This committee at my former employer oversaw the company's diversity and inclusion efforts and reviewed issues associated with business conduct.

HR and board searches

The CEO and secretary of the board will often do the "legwork" for the nominating and governance committee in the search for new board members (in cooperation with the chairman of the board, if the CEO does not also hold that title). Many of the well-known executive search firms with which HR may have experience often have units that specialize in board search. HR may be asked by the CEO or the secretary to the board to facilitate contact with one of these firms to assist in the board search. In the context of a search for a new board member(s) HR should play an informed consultant role that provides advice to the CEO, board secretary, and possibly the chairman about the search firm(s) that maybe used. Final selection of the search firm should be a decision of the committee. Though HR may have assisted, it is important that the actions and decisions of the nominating and governance committee in selecting new board members are considered to have been independently exercised.

Compensation Committee

As the name implies, the compensation committee is often responsible for overseeing the salaries, bonuses, and benefits provided to the executives and other employees of the company, and the board. In some companies, this committee is combined with nominating and governance. The high profile subject of executive compensation means many compensation committee members may feel as if they are caught between the proverbial rock and a hard place. As their work demands become increasingly difficult and performance oriented, executives expect more compensation for their efforts. And, as higher amounts of compensation need to be provided to executives, compensation committees are subjected to increased scrutiny and criticism by third parties and the public at large. As we will cover a little later in this chapter, the senior HR professional should recognize the impact this dynamic is likely to have on interactions with the compensation committee.

In effect, the compensation committee has almost no choice but to be somewhat suspicious or skeptical of the compensation recommendations that are put before it. The senior HR professional who encounters this attitude from a compensation committee should not take it personally (unless, of course, the recommendation is something to be treated with suspicion). Because of the intense scrutiny executive compensation receives, the committee will want to feel very sure that it is making the right decision if it agrees to the recommendation under discussion. The senior HR professional has to be prepared for lots of questions. In my experience, the questions from the members of the compensation committee are probing for very good reasons. Any senior HR professional who plans to operate in the boardroom has to develop a "thick skin" to handle the inevitable questions from the compensation committee and the other members of the board.

Help the Board Evaluate the CEO

The senior HR professional will often need to assist the chairman of the board, or the lead director if the CEO is the chairman, in evaluating the performance of the CEO. As boards have become more accountable, they have looked for more objective ways of determining the level of the performance of the CEO. Boards no longer look at the financial performance of a company as the only indicator of how well the CEO is performing. I have had direct experience of the board putting as much weight on how well the CEO worked with them as on financial performance.

It is very possible that in some instances the board may seek the input of the senior HR professional regarding the performance or behavior of the CEO. Admittedly, helping the board evaluate the performance of the CEO requires the senior HR professional to walk a tightrope. I have found that if you have an open and candid relationship with the CEO your views about their behavior and performance will have already been voiced. A recommended strategy for the senior HR professional is never telling the board something about the CEO's performance that you haven't already raised with the executive. The senior HR professional, however, should be honest and objective in the information conveyed to the board. The senior HR professional should follow the same ground rules about confidentiality in this instance as those discussed earlier in the book. Information the CEO may have provided to the senior HR professional in confidence should remain confidential.

The CEO and the "big picture"

In reviewing the performance of the CEO, boards are increasingly aware of a range of areas that are critical to effective CEO performance. They usually start by reviewing the big picture. At my last employer we used to ask the board these questions—Does the CEO seek and value input from the board? Does the CEO seek to improve the operation of the board?

Development of a long-term strategy that is effectively coordinated with the board is an obvious area of importance. In coming to an assessment of the CEO performance, the board will want to make sure that whatever was agreed upon as the strategy is in fact what the CEO works on. At my former employer, the board went to great lengths to make sure that the CEO was moving ahead on agreed strategies.

How about the financial performance of the company under the CEO's leadership in the context of these other items? Are the CEO's eyes on the ball, making sure that financial performance is top of the list? These are all questions that I have seen a board consider. Boards, as the protectors of the shareholders' interests are, of course, concerned about whether or not the CEO is focused on satisfying this key group. Does the CEO engage in ethical behavior at all times? While the days of smelly, dangerous plants and factories are increasingly in the past for many companies, does the CEO focus on safety? How about environmental issues? As a former employee of two of the largest multinational oil and gas companies in the world, I know that boards are now particularly concerned about the impact an environmental disaster can have on a company's reputation and finances.

The CEO and the C-Suite Executives

As part of the evaluation of the CEO's performance, the board is also likely to ask, is the CEO is setting high standards for the members of the C-Suite and throughout the organization? Additionally, an effective board will want to make sure that the CEO has in place the right management processes so that human resources are effectively utilized. The board will also focus on whether or not the CEO creates the right environment and atmosphere for the people in the organization to do their best.

In my experience, a very savvy board will monitor the team surrounding the CEO for several reasons. First, are the right people in place to accomplish the strategic objectives of the organization? Second, is there someone who is currently part of senior management who can step in and fulfill the responsibilities of the CEO in an emergency? Longer term, the board should know whether the next CEO will come from the ranks of the existing senior management team or will the board need to go outside?

The Confidential CEO Questionnaire

One technique that we used at my last employer that was helpful was a confidential "questionnaire" developed by the nominating and governance committee that was used to look at the performance of the CEO. We called it a "questionnaire" because of the objections of some board members to the use of a normal performance appraisal document for the CEO. Interestingly, there seemed to be less resistance when the board members were asked to give their opinion of how the CEO was performing in certain key areas via the confidential questionnaire. The questionnaire we used about the CEO's performance covered these main areas:

- CEO leadership style
- Strategic planning
- Financial results
- Performance improvement
- Interpersonal skills

- Communications
- Political savvy
- Board relations

My strong belief has always been that effective performance appraisal is about direct and frank conversations—not just about completing forms. At the end of the day, the confidential questionnaire approach proved effective because it stimulated a conversation among the board members on how and why they would rate CEO performance in key areas. Surprisingly, I found that board members may have thoughts and concerns about the CEO that they will not voluntarily voice—they have to be asked. An instrument like the confidential questionnaire we used can prove very helpful in "priming the pump" for information that sometimes the board was reluctant to volunteer.

Regardless of the approach or technique used to assess the CEO's performance, there should be a direct link and shared responsibility between the nominating and governance committee and the executive compensation committee on the information gathered. Both committees should work closely in determining the assessment of the CEO's performance and the appropriate level of compensation that should result.

Help the Board with Succession Planning

Another important area that can and should involve the senior HR professional and the board is CEO succession. The board and the CEO should make sure there are fully reviewed and approved plans for CEO succession developed with assistance from the senior HR professional in the C-Suite. As discussed in an earlier chapter, succession planning can mistakenly be thought of as an "HR" process, although it is essentially a key business risk mitigation process. There is probably no more important corporate risk mitigation process that the board of directors can oversee than the development and updating of an effective CEO succession plan.

A periodic and regular discussion on the subject of CEO succession is considered best practice for any board. CEO succession planning is a topic that is constantly featured throughout the year in magazine articles and journals intended for boards of directors. Nevertheless, the CEO succession plans of some companies are often not followed or turn out to be theoretical and not of any real value when a CEO vacancy actually occurs. Unfortunately, this seems to be particularly true in cases of the sudden and unexpected departure of the CEO.

A periodic and regular discussion on the subject of CEO succession is considered best practice for any board

Like succession planning for any other critical position, succession planning for the CEO position requires a good hard look at what is actually needed to be successful in the role now and in the future. It may mean that executives who impress the board or have a good relationship with them may not be the best candidates to move the company forward if the current CEO vacates the position for any reason.

To ensure a good succession planning process is in place, many boards of directors have opted to treat this as a critical business process that actually impacts the CEO's compensation. In other words, if the board feels that succession planning and talent management does not receive the attention that it should, this can directly impact the amount of pay the board provides to the CEO.

Key Questions about CEO Succession

The questions that should be answered and updated regularly about CEO succession are:

- *If the CEO was unexpectedly incapacitated is there a member of the executive team or the board of directors who could be called upon on an emergency basis to immediately assume the duties of the position?*

- *How long is the emergency appointed CEO likely to be required in the position?*

There may be a current executive previously identified as a probable successor to the CEO who is thought to need a little more time before assuming the role. As part of the ongoing monitoring of the CEO succession plan, the board should periodically determine if the identified candidate is ready to assume the role. The board needs to weigh the risk of appointing the candidate on a permanent basis versus the possible organization and market disruption caused by the uncertainty associated with an interim CEO. Another important question is:

- *If there is no internal candidate to go into the position on a permanent basis, how long will an external search take to fill the role?*

Once it is determined that the CEO role will need to be filled by an outside candidate through an executive search, a series of questions will need to be answered as part of that process.

- *What are the most strategically important goals the new CEO must accomplish in the very near term; longer term?*
- *What were the strengths of the former CEO that we believe will also be critically important to see in the next CEO? Are there additional strengths that the board now considers critically important?*
- *Were there weaknesses displayed in the former CEO's performance that the board hopes to avoid by selecting the new CEO?*

The review of CEO succession is often coupled with what amounts to a review of the upward potential of other members of the executive team. While boards understandably focus a lot of attention on the CEO, there is normally significant interest on the part of the board to understand and know the strengths, weaknesses, and probable career path of the top executives of the enterprise.

Although complete and comprehensive, the succession information provided to the board level should also be relatively brief and concise.

As indicated earlier in this book, the key to effective succession planning at any level is not the volume or density of the written support material but the quality and realism of the discussion that takes places. The key information that is needed on each member of the executive team should be able to fit on one page.

A CEO's abrupt departure

I had been with my last employer a little over one year when the board decided to replace the CEO, resulting in the executive's somewhat abrupt departure. The experience gave me insight into the impact the unexpected departure of the CEO can have on the executive team, the organization, and the board. The experience highlighted the importance of having a CEO succession plan that was more than words on a page. Though we had identified candidates to eventually succeed the CEO, there was no member of the executive team the board felt comfortable immediately promoting to the top leadership position. As a result, the chairman of the board stepped in as CEO on an interim basis. The board had been heavily reliant on the former CEO's perspective of the business but now found it important also to have the direct input of the other senior executives. As the senior HR professional, I worked closely with the board chairman who was interim CEO as we reviewed organization changes that needed to be made following the previous CEO's departure. During the period we looked for a new CEO, I saw that a key role the senior HR professional should play is serving as the "glue" between the board, the executive team, and the organization as a whole when a CEO suddenly departs. I made sure I communicated with the executive team the status of the search. We instituted informal lunches between the chairman/interim CEO and employees in the organization. I learned that though the abrupt departure of a CEO can cause concern among all the key internal stakeholders, the senior HR professional can add value by helping to "steady the ship."

The Pressures of Executive Compensation

One of the more visible and high-profile areas of HR and board interaction is executive compensation. At some point, the senior HR professional, if true to the expectation to be an honest broker, may be at odds with the CEO, members of the executive team, and sometimes the board, on recommendations about executive compensation.

This is a subject that, as we know, often makes news headlines. For many people, all they know about a CEO is the level of the executive's compensation that they read about in the newspapers or hear reported on television. Since there are books that have been written on the subject of executive compensation, this section of this chapter will focus on the relatively narrow topic of how HR can help the board deal with the pressures of executive compensation.

Make Sure the Board Receives Objective Advice about Executive Compensation

If you're the senior HR professional making executive compensation recommendations to the board, it is likely and actually desirable that there will be an outside third party consultant who is providing advice to the board. While the benefit of having objective third-party advice on executive compensation cannot be overstated, it's important that the senior HR professional be aware of and monitors the technical aspects of what's discussed between the compensation consultant and the board. The senior HR professional may be best able to determine if what the consultant recommends makes sense for the company.

On occasions, there may be a degree of tension between the recommendations of the outside consultant and the senior HR executive in terms of the appropriate levels and types of compensation to be provided to accomplish the business goals. Making sure the board receives objective advice about executive compensation admittedly can be one of the more challenging aspects of being the senior HR professional in the C-Suite.

Help broaden the compensation committee's perspective

The background of the members of a board compensation committee can often vary. As a result, some members of the committee may be more familiar with executive compensation than others. During my presentations to the compensation committee on certain recommendations, I always tried to work in examples from previous companies where I had worked. Although the outside consultant is there to hopefully provide background on what other companies may be doing, I found that our committee seemed to appreciate real life examples based on my previous experience. I would usually explain how we may have approached a compensation issue at a former employer and then explain why a similar approach would, or would not, work at this company. The senior HR professional who may have limited prior executive compensation should, if possible, participate in an industry group to obtain as much background on the subject so as to bring to the table information that will help broaden the compensation committee's perspective.

Help the Board Understand the Pros and Cons of Compensation Benchmarking

Earlier, we talked about the scrutiny that many board members are subjected to on executive compensation and the pressure they may feel. As a result, some boards of directors believe that one of their most important tasks is to make sure that executives receive compensation that will not subject the board to undue criticism. In my opinion, this is a losing game. The senior HR professional in the C-Suite has a responsibility to make sure the board doesn't fall prey to thinking its primary oversight goal is to make sure the amount of money paid to the company's executives is in line with what other companies are paying their executives. Based on the full picture of the company's business challenges and performance, there may be occasions when the compensation should be considerably more or considerably less than that paid by other companies.

The senior HR professional needs to assist the board in not relying too heavily on the benchmarking process often used in executive compensation. The jobs used for comparison are never exactly the same from one company to another. Therefore, it is very difficult to accurately compare and measure two different executive positions through conventional desktop benchmarking. Instead, the board should make sure to appropriately reward those executive efforts that actually meet strategic objectives or provide the company with the basis for a competitive advantage. The benchmark data from other companies can be used for reference as the board makes its independent decision but should not be the primary driver of the compensation granted to a company's executives.

Make Sure the Board's Public Disclosure about Compensation Is Understandable

In the United States, publicly traded companies issue a proxy statement prior to the annual shareholders' meeting so that investors and other interested stakeholders have sufficient information to make good decisions about how to vote on certain recommendations by the board and management. One of the major areas covered in the proxy statement is executive compensation. Details about executive compensation are contained in a section of the annual proxy statement known as the compensation disclosure and analysis (CD&A). At its worst, a CD&A can be a convoluted piece of technical legal writing that some PhDs may have difficulty understanding.

If you've ever had to read a CD&A in a proxy statement, you know it can sometimes be very tough going. It can be even tougher going if, as the senior HR professional, you have to help write one. You likely will be required to write, rewrite, and rewrite again as input comes from the chief executive, other members of the executive team, the legal department, and the board's outside executive compensation consultant. Everyone on the board and in the C-Suite strives to make sure "a good story" is told. As the senior HR professional, assisting in what is essentially a board-driven public communication process, most of the advice I have received indicates you should make sure that the CD&A provides the reader with very straightforward and clear messages about the following:

- What does the company need to accomplish from a business strategy and operational standpoint?
- How is the compensation that executives receive linked to what needs to be accomplished?
- How does the compensation received by executives compare to the compensation paid by the competition? Why does it vary?

Help the Board Clearly Explain the Business Environment

If you're going to help the board tell "a good story" about your company's executive compensation practice, it's important to provide the reader with a pretty clear understanding of the business environment in which you operate and what your company's performance in that environment has been over the past year. The main purpose of the CD&A is to make sure that the reader has a valid comparison between company performance and the pay granted to executives. On those occasions when I have had to help write the CD&A, the approach that I have taken has been to start with a blank sheet of paper and look back to summarize the key points of past business performance.

Help the Board Clearly Explain the Company's Executive Compensation Principles

It is important that a company be able to articulate why it pays executives the amount they receive. The executive compensation advisors I have worked with focus on: What are the principles on which the company bases its executive compensation practices? Does the company want its executives to take risks? If so, what sort of risks? Or, does the company want to take a safe and predictable approach? If so, how should the compensation received by members of the executive team who are not involved in taking risk be treated?

Help the Board Perform Self-appraisal

In recent years, boards have turned their attention to ways of better managing themselves. Without this self-imposed discipline, it is easy to see how a board of directors might operate in a club-like atmosphere. Every member of the board is likely to be an experienced and accomplished individual in their own right. Many sit on other boards. Many have been former CEOs and have held powerful positions in government or industry. As a result, some organizations have been reluctant, in the past, to apply rigorous management techniques to reviewing the effectiveness of the board. Now, board accountability and attention to good board management practices are areas that are recognized as providing real shareholder value.

The senior HR professional can assist the board with an annual self-appraisal that includes the operation of various committees. At one of my former employers, we used a relatively simple questionnaire with questions about how the board and its committees operated. The questionnaire was structured with a series of statements that could be answered by the board member on a "strongly agree to strongly disagree" Likert scale. We found it helpful to have the survey distributed and tallied by an outside consultant. The following are examples of some of the areas that could be queried:

- Are the minutes of board meetings available and easy to understand? Do they provide the right amount of information without actually increasing business risk?
- Are board members frank and honest in discussions with each other?
- Are there individuals who are reluctant to express what they truly feel about how the board is operating?
- How do board members feel about the relationship with the CEO?
- Is the board overly manipulated by either the senior executive and or outside consultants?

Dealing with Sensitive C-Suite and Board Issues

Part of what goes with the territory of being the senior HR professional in the C-Suite is the requirement to be able to handle sensitive and often difficult situations involving the CEO, or other members of the C-Suite or board. These situations may result from poor executive performance, disagreements about the right course of strategic direction for the enterprise, or misconduct. Like it or not, the senior HR professional in the C-Suite will often be at the center of dealing with the fallout from sensitive situations of this type. The manner in which the senior HR professional handles problems of this nature will help make or break the personal brand we discussed earlier in this book.

Dealing with the Dismissal of the CEO

At the top of the list of sensitive C-Suite issues that may confront a senior HR professional is the dismissal of the CEO. Replacing a CEO is not a particularly pleasant task for any board but on occasions is a necessary action. Dismissal of a CEO is bound to cause ripples in an organization regardless of the reason for the action. As surprising as this may sound, poor performance or differences with the board over the strategic direction of the business are probably two of the less sensitive reasons for dismissal of a CEO that may confront a senior HR professional. Sure, there will likely be a period of organization disruption surrounding the dismissal of the CEO and the appointment of a new one. There may even be legal action by the dismissed CEO. However, in most cases, a nice severance package will eventually be paid to the departing CEO and the organization will get back to normal and things will move on.

Unfortunately, the dismissal of the CEO can pose more difficulty for the board and the senior HR professional when the reasons are due to the executive's "inappropriate conduct." The term covers a range of actions by the CEO—from sexual harassment, to violations of policies on business ethics, to criminal behavior. In such cases, the senior HR professional may be required to work closely with the board, the company's general counsel, outside legal counsel, and possibly legal authorities.

Dealing with Misconduct by an Executive or Board Member

Unfortunately, there is a long history that shows boards have not always been vigilant in spotting and dealing with executive misconduct. In some instances, the lack of vigilance was the result of collusion between the

CEO and members of the board. Most of the governmental regulations and trading organization rules companies must follow can be directly traced to high profile instances of blatant CEO misconduct while the board of directors was asleep at the wheel. For example, some aspects of pension legislation exists in the UK (and has been copied elsewhere) because of the actions of the nefarious Robert Maxwell back in the 1990s. Maxwell, who was owner of the *Daily Mirror*—one of the more popular tabloid newspapers in the UK—raided the pension funds of his companies to finance other business acquisitions and to fund his opulent lifestyle. Maxwell is joined in the CEO misconduct hall of infamy by Americans Bernie Ebbers of WorldCom, Kenneth Lay of Enron, and Dennis Kozlowski of Tyco.

Board members are also capable of misconduct. A high profile example involved misconduct by the chairperson of the Hewlett Packard board following the very public sacking of the then CEO, Carly Fiorina.[2] (Ms Fiorina has since reinvented herself as one of the Republican Party's most ardent critics of Barack Obama.) In the aftermath of Ms Fiorina's departure, the board chairperson Patricia Dunn became so concerned about leaks to the press that were suspected to emanate from a board member that private detectives were hired to illegally obtain phone records via something known as "pretexting." Pretexting refers to the practice of obtaining information via some form of pretext or pretense. In the case of HP, the private investigators pretended to be the individuals whose telephone records they sought. This saga became even more sordid when Dunn was replaced by Mark Hurd, who was appointed chairman and CEO. Hurd was considered a bright young star in the technology field. Yet, less than two years after his hiring, Hurd unexpectedly resigned as a result of what he labeled an "inappropriate relationship" with an attractive female contractor. Details later emerged that Hurd's actions with the female contractor amounted to sexual harassment.

Rely on the Code of Business Conduct

It is hard to imagine there is a business or other organization today that does not have a written code of business conduct or ethics. It is critically important that a company has a written code of ethics that outlines the behavior expected of all employees, vendors, contractors, and the board of directors. Best practice means that the code of ethics is broadly publicized and readily available to be reviewed and consulted. If a company does not have a written code of business conduct, the senior HR professional in cooperation with the general counsel, or chief compliance officer for the company, should lead efforts to have one developed. The most important feature of a code of business conduct is that it applies from the top of the organization to the bottom. It provides a clear standard that the CEO, the senior HR professional, and the board can all rely upon in the event of cases of misconduct.

The actions the senior HR professional should take when confronted with executive or board misconduct are very straightforward:

- The senior HR professional who becomes aware of executive misconduct has a responsibility to confront it and to see that the processes that exist in the company to investigate and deal with inappropriate executive action go into operation.
- If the misconduct involves the CEO, the senior HR professional has a responsibility to make sure the board of directors is informed and that the appropriate internal processes go into action.
- The senior HR professional who becomes aware of misconduct that involves the CEO or the board, and who believes the company's internal processes will not go into operation, has a responsibility to go to the appropriate outside authorities—and should be prepared to leave the company.

Other Board-Related Issues

The senior HR professional in the C-Suite should also be aware of some of the high profile issues associated with boards and board governance that are likely to receive increased attention in the future. A few of these issues are briefly discussed below.

The Combined Role of Chairman and CEO Debate

Most large well-known companies in the United States have operated with a governance structure in which the roles of chairman and CEO are combined. Many organizations in Europe have traditionally split the roles. The debate regarding the pros and cons of having the two roles combined has existed for some time. Proponents of splitting the two roles in the past have appeared to gain ground, usually as a result of high profile scandals or cases of corporate fraud perpetrated by an individual with the combined responsibility, and power, of chairman and CEO. The movement toward splitting the two roles appears to have slowed in recent years in the USA. More emphasis seems to be placed on the importance of having a strong independent lead director if the roles are not split.

Say on Pay

In the USA, third-party proxy advisory firms, in a sense, audit the activity and the responsiveness of boards to proposals put forward by shareholders. The movement known as “say on pay” was begun by institutional investors who wanted to highlight the need for closer scrutiny and attention to the compensation levels granted to CEOs and other highly compensated executives. The UK has a longer history with the concept than the USA, which can be traced back to the late 1990s. The Directors’ Remuneration Report issued by the UK government in 2002 was a set of regulations that required companies to provide shareholders the opportunity to vote on the report on remuneration (compensation). The say on pay movement in the United States gained momentum about five years after the Directors’ Remuneration Requirement in the UK. The issue of executive compensation, and the corresponding shareholders’ right to a say on pay has essentially become an issue of attention in many western economies. It will likely continue to be a high profile issue for some time into the foreseeable future.

Women on Boards

The subject of women on boards has recently garnered headline attention in Europe. A proposed law requires boards of certain publicly traded

European companies to increase their representation of women to 40 percent. Companies with fewer than 250 employees or revenues below a threshold of 50 million euros are not covered by the law. The directive adopted by the European Parliament will require privately held listed companies to comply by 2020. Publicly listed companies would need to comply by 2018.

In the United States, a movement known as 20/20 is attempting to secure support for a goal of 20 percent female board representation by the year 2020. The European directive and the efforts in the United States can be traced to the disparity in numbers of female participation in economic activity compared with representation on boards of directors.

Conclusion

Any HR professional who hopes to earn a place in the C-Suite needs to face the reality that getting there will not be easy. The total number of places in the C-Suite is limited. And, in virtually all companies, the total number of seats in the C-Suite available to be occupied by a senior HR professional is likely to be just one, if any. The quest for a seat in the C-Suite is further complicated for HR professionals. HR has an image problem with many current and future business leaders that adds to the difficulty of earning a place in the senior leadership of an organization. Obviously, the negative opinions of HR must be overcome before a place in the C-Suite can be truly earned. Earning a seat in the C-Suite won't be easy but it is not impossible. Getting there requires the right set of personal and business skills.

Earning a seat in the C-Suite won't be easy but it is not impossible

My personal frustration is that HR's image and perception problem appears to be a chronic condition about which not enough is being done by business leaders or HR. This nagging feeling about HR's chronic problem has been with me since I made a presentation about the CEO and HR "disconnect" in Istanbul decades ago. I really became alarmed in 2005. Keith Hammond, a senior editor, penned an article in the August 2005 issue of *Fast Company Magazine* entitled, *Why We Hate HR*.[1] For many, including me, the Hammond article is the most cogent critique of the HR function in recent times.

I came home one evening from my work as a senior vice president for human resources at an energy company and saw the magazine's HR cover story when I looked through the day's mail. I started to read the article before dinner and quickly regretted the decision. My stomach churned as I read Hammond's at times sarcastic but painfully insightful critique, which skillfully excoriated those of us who make our living as HR professionals. The article criticized HR for not being made up of real business people, for its lack of strategic ability, for sometimes being the dumping ground for failed former line executives, and for having little knowledge or interest in finance.

A large segment of the magazine's normal readership of young people probably cheered the article. For many of them it was a newly articulated insight about HR, written with the acerbic hipness that is part of today's popular literature. The article upset me not only because of the negative commentary written about HR but because it was essentially the same indictment of the function that I and others had expressed decades earlier. I sat at my dinner table wondering if my grandchildren would also be reading a similarly snappy but scathing commentary about HR once they were in the workforce.

I still have that concern. Though the *Fast Company* article was written almost ten years ago, the criticism it hurled at HR continues to be leveled at the function today. At the beginning of this book, we briefly discussed the findings of a recently conducted survey of business leaders that mirrors the *Fast Company* article's criticism of HR. The survey was published in 2013. Unfortunately, the unvarnished assessment of HR continues to be the same:

- "*HR isn't strategic*"
- "*HR is good at implementation and administration but not much else*"
- "*HR people don't understand business*"
- "*HR needs to be more proactive and help drive business growth*."

By now, HR professionals should be fed up with this assessment of the function. The complaints and criticism about HR over the years have been repeated so often they are now boring to read or hear. The many years of essentially the same criticism should prompt rethinking about HR. Does it make sense to continue to have HR structured in the way it has been for decades? Has the nature of business changed so radically that there should be a change in the attitude and approach about what HR does? Isn't it time that business does something about this? At this point, some readers may pause and say, "Wait a minute. Don't you mean it's time that *HR* does something about this?" No. It is time for business to take the lead in addressing this issue.

Business Inefficiency

HR is a business function. No business function exists on its own or is able to carve out territory that it declares as a sovereign state within an organization. Granted, it appears this has been the case with HR in some companies. But in view of the longstanding criticism of HR, a legitimate question is, How has HR been able to get away with operating this way for so long? Why haven't business leaders done something about it? Why do CEOs continue to comment on the lack of business impact of HR but don't appear anxious to dramatically alter the role and skills of the leaders of the HR function? The answers to these questions, as with most things related to HR, are relatively simple while at the same time somewhat complicated.

Many CEOs continue to view HR as a specialist provider to business of people related services. This model of thinking does not fully recognize that we now are essentially in a postindustrial era for many businesses. In many cases, it is no longer about the use of semi-skilled labor to manufacture a product. Just look at the companies that make up the Dow Jones "industrial" average in the United States. A large number of the companies are in financial services, entertainment, health care, or pharmaceuticals. A similar component character exists for companies that make up the FTSE 100 in the United Kingdom. We are moving progressively further into an era in which every business, every enterprise, is in the business of effective human resource management. The more sophisticated organizations are the ones that realize this shift and capitalize on it.

Some business leaders cling to the old model of HR as a specialty service provider. In effect, these business leaders have had a free ride. They have been able to enjoy (and sometimes flaunt) the substantial benefits of business leadership without having to be proficient in the most critical of all business skills—human resource management. They have been able to contract out responsibility for it to HR. A basic premise of this book is that HR professionals need to know more about business and business leaders need to know more about effective human resource management.

The criticism that HR is not strategic, has no real business people, and therefore does not have a seat at the table is a two-edged sword. The results of CEO surveys, and the writings of academics and others on HR's lack of strategic business impact highlight what is essentially a very visible and critical business inefficiency. HR's failings don't have to do just with HR. HR's failings have to do with business and business leaders' unwillingness to address this business inefficiency. This means that many business decisions are probably made without the right focus on the human resource implications. Ultimately, this business inefficiency has to be addressed if companies and nations' economies are to operate optimally. The leaders of business—CEOs and boards of directors—have been slow to take aggressive action to correct this glaring business problem. Eventually they must.

The First Thing We Do, Let's Kill all the HR People

HR is far from blameless in this ongoing business inefficiency. We know that the composite opinion of most CEOs about HR as reflected in surveys is likely to go along these lines: "*HR needs to know more about business and needs to be more strategic*." For many in HR, the criticism that has been leveled at the function is painful. Yet there continue to be a large number of HR professionals who are reluctant to step out of the carefully crafted comfort of the world of HR. The increased use of internet technology and social media is bound to continue into the future. And with it, the failings of HR professionals are likely to come under even greater scrutiny (and ridicule) if immediate steps are not taken to correct the function's shortcomings.

Early in this book, I gave the advice that HR people who wanted to earn a seat in the C-Suite needed to get out of the HR business. Borrowing from Shakespeare's *Henry VI*, metaphorically, the time has come to kill all the HR people—actually, it is long overdue. Put simply, HR people must become business people. Despite the high profile of HR in recent years, it is more likely that success in the C-Suite will come to those who are considered business people who know HR rather than HR people who know something about business.

Get the Business Skills

Earning a seat in the C-Suite requires understanding the language of business—numbers and financial concepts. The career challenge confronting many HR professionals is acquiring the business skills needed to make earning a seat in the C-Suite easier. There are financial concepts that are staples in the business world that have to be known and understood by anyone who is to be considered a business person and financially literate.

But no one is born with an immediate understanding and grasp of the concepts of debits, credits, the time value of money, and net present value. These are terms and concepts that are learned. The most skilled finance professional had to learn them. HR professionals can and should learn them also. Unfortunately, many HR professionals are at a disadvantage when it comes to the language of business because other businesspeople were exposed to the concepts and terms early in their careers. These people have used the financial terms and concepts over a number of years and have often had other work colleagues who were similarly trained.

HR professionals are probably on their own in becoming more proficient in basic and advanced business skills until more business leaders get serious about eliminating the business inefficiency that enables HR to operate in a world of its own. However, the HR professional who is serious about earning a seat in the C-Suite can close this business skills gap. The same technology that likely will be used to "bad mouth" HR can also be used by HR professionals to learn more about strategy, business operations, numbers, and financial concepts if they are willing to put in the work. HR professionals who need to acquire more business and financial skills should follow the advice of the Nike sports company's famous slogan—just do it.[2]

Share the HR Knowledge

Once a seat in the C-Suite seat has been earned, the senior HR professional must then take on the challenge of assisting the senior management team adopt a different and more knowledgeable understanding of the management of human resources. HR's effective "partnership" with the business should involve a transfer of knowledge. The competitive advantage that can be enhanced through effective human resource management should be the senior HR professional's primary driver in helping ensure the CEO and the executive team better understands the 4Rs of human resource management (recruitment, reward, retention, and retirement).

A Look into the Future

There is a good chance that our existing civilization will last some years into the future despite our efforts on occasions to bring the world to the brink of annihilation. Many of our current business and social institutions will continue to grow and meet new challenges. There will be new technology to make life easier in some respects yet more stressful in many other ways. Apple Inc. will probably be replaced by some other hot new electronics kid on the block. The field of medicine will find new cures and treatments for some of the worst diseases troubling the world. New economies will emerge. Latin America, Africa, and the Indian sub-continent will replace China as the most talked about lands of global financial opportunity.

However, in the business world of the future, it is likely that an old challenge will continue to bedevil the leaders of industry—how to get the most out of people. Somehow, there will probably be a new name for the process we now call human resource management. But if we are lucky, there will be a new breed of business leader in C-Suites who understands that it really is all about people. Regardless of what we call it, each senior executive will be a human resource management expert in their own right. The roles of CEO and chief human resource officer will essentially be one.

However, before we can enter this future state for human resource management, we must deal with the present. And for now, we need to continue efforts to increase HR's presence and impact in the C-Suites and boardrooms of business. The purpose of this book was to help accomplish this goal in some small way.

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