

Thinking Like a CEO

Published September 2007

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The trend toward talent management has increased HR's focus on business, namely, how employee performance and workplace practices affect the bottom line. But some doubt that talent managers can effectively step into this more strategic role. To earn the C-suite's respect, talent managers need to look at the business as a whole and think like the CEO.

HR long has been considered a necessary staff function with responsibility for maintaining compliance and administration at generally acceptable levels. But there is a perception that HR does not and cannot step up to the plate in the strategy ballpark. HR professionals must ask themselves, "When and how will HR officers break through the senior-strategic ceiling and become full-fledged members of the executive suite?" To counter the belief that HR is not strategic, it must make some fundamental changes in how it understands the organization's business and how it sees its role in the business. Repeatedly, we have said HR should be a strategic business partner, working with the CEO. But how do we legitimately get there?

To earn the respect of the C-suite, HR needs to begin thinking and acting like the CEO. Gaining this respect requires that you:

- Know the business you're in.
- Be aware of what's around the corner.
- Stay attuned.
- Prepare for changes.
- Align the C-suite and HR expectations.
- Translate these business challenges into HR terms.
- Make it happen.

Know the Business You're In

Understand the business — successful HR heads overwhelmingly identify this is an absolute requirement.

"It's just good business sense for me and my staff to understand the business using strategic thinking and analytical skills," said Dan Smith, Borders Group senior vice president of HR. "We must understand what's being discussed at the table and its impact on shareholders, the board and on growth and profitability."

Eileen Whalley, The Hartford executive vice president of HR, said it is also important to know where the business is headed.

"The CHRO and his or her team must understand the business beyond selling insurance — we must know the emerging business trends in the retirement space and the accompanying innovative new products," she said. "Then, we can attract and develop the right talent to serve those needs."

In this regard, there are several questions HR heads should ask:

- What factors drive revenue?
- What is our market share?
- Do the company's product margins compare favorably in the industry?
- Are earnings per share rising or falling? Why are they rising or falling?

Learn to speak the language of your organization's business — business literacy and fluency is essential. Further, value the organization's strengths and understand its weaknesses, opportunities and threats. Are new competitors, new customer segments, improved technology, demographic changes and economic trends factors in the mix affecting future profits?

Additionally, seek out and talk to your counterparts in finance, sales and IT to learn about their functions and develop a deeper understanding of their issues.

Be Aware of What's Around the Corner

To be authentically and legitimately strategic, HR must anticipate (rather than react to) social, political and economic changes and how they affect today's workforce. We must be alert to the trends at our doorstep, for example:

- American universities graduated 65,000 engineers last year. China produced 325,000.
 - Hiring implications for U.S. firms domestically and globally.
- By 2010, 64 million, or 40 percent, of the U.S. workforce will be eligible for retirement.
 - Replacement workforce plans.
- Within the U.S. government, 50 percent of the federal civilian workforce will be eligible to retire by 2012.
 - Rapid training and promotion of younger federal workers.
- Not all potential retirees will leave the workforce.
 - Innovative ways to retain corporate knowledge among those unwilling to work full time.
- The slumping housing market has had a serious effect on many construction-related companies, affecting hiring, retention and layoffs.

Stay Attuned

Today's HR professional must stay current about societal and environmental changes, which are chronicled in the business press (The New York Times, The Wall Street Journal, The Economist, Fortune, BusinessWeek, etc.). HR professionals also must intimately know their own business' objectives and connect the strategic and operational dots. For example,

- How will interest rate changes increase or decrease sales?
- Does foreign exchange fluctuation affect purchasing/selling abroad?
- Will inflation/recession in our sector be a factor in our short- or long-term profitability?

"I expect people to read, to watch the news — not just because it makes them more interesting but because what happens in the world affects what happens to us, to our marketplace and to our competition," said Larry Bossidy, former Honeywell chairman, in the April 2007 Harvard Business Review article "What Your Leader Expects of You."

Prepare for the Changes

Being aware of societal and economic changes is one thing. To take HR strategy to the next level, you must proactively incorporate that knowledge into the fabric of the organization and predict how it will affect your workplace.

Begin to brainstorm the impact of broad societal and economic changes with your HR staff or colleagues. Determine the "alternative scenario" questions that your business heads ask. For example:

- What if oil jumped to \$100 a barrel? In regard to the price increase pass-throughs, what would be the expected effects on shipping and transportation?
- What if an avian flu pandemic broke out in major U.S. cities? Does the firm have access to community hospitals and vaccine storage?
- What if there was a natural or man-made disaster? What emergency-preparedness plans and procedures are in place? (The "crisis" usually is not the event but how the organization responds to it. Most important are the plans laid in its anticipation.)
- What if the rapid growth of Brazil, Russia, India and China (BRIC) economies continues? (The gross domestic product growth of Russia, India and China is twice to three times the growth rate of the United States. Brazil's is not far behind.)
- What if global warming occurs as predicted?
 - Long-term relocation of employees.

Align C-Suite and HR Expectations

Adjust your perspective beyond a functional HR view to a broader outlook. To be strategic, HR professionals must move outside their collective comfort zones and understand their businesses more fully. Some of the questions to consider here include:

- Is the industry consolidating/growing?
- Is there excess capacity in the industry?
- Does the organization face stiff competition here or abroad?
- Does the organization have the necessary workforce and leadership talent to compete effectively?

CEOs and CFOs grapple with these kinds of questions every day.

Translate These Business Challenges into HR Terms

One question to ask yourself is, "Do human capital skills, capabilities and management practices align with strategy?" If not, determine why and change them.

HR must align its people and organizational plan to the business plan. The best way to do that is to look at the data. Jac Fitz-enz, author of "The ROI of Human Capital," suggests the following measures:

- Commitment level: Percentage of employees committed to the corporate vision and who expect to stay at least three years.
- Readiness level: Percentage of key positions with at least one fully qualified person ready.
- Depletion rate and cost: Voluntary separations as a percentage of head count and the cost of separations.
- Accession rate: Replacement hires and hires for new positions as a percentage of the workforce.


A second question to consider is, "What are the implications throughout your HR enterprise?"

Are you stepping up and advocating a realignment of the workforce to accommodate aging baby boomers who are nearing retirement? Do you understand the potential shortfall of available managerial candidates from Generation X and Y junior managers who might have different plans? How do you manage generational differences? How is HR addressing the growth in the number of employees (the "sandwich" generation) who have responsibilities related to both elder care and child care?


Make It Happen

According to Dave Ulrich, University of Michigan business professor, HR is made up of four roles: strategic player, change agent, administrative expert and employee champion. It is a common perception that most HR departments favor the employee champion and administrative roles, but it is time to embrace the strategist and change agent roles with courage, creativity and enthusiasm.


Strategic HR focuses on the relationships among an organization's human, financial, market and technological functions to build capabilities that enable the organization to win in the marketplace. It stresses collaboration and team building among members of all management functions.

As the CFO demands a business case to quantify every new business venture, so should HR frame workforce planning issues as a case, using facts — not opinion — that can stand up to senior management's scrutiny. 

Strategic Questions To Ask

1. How do senior executives measure the organization's performance and success?
2. How are senior leaders measured in their performance goals?
3. How does the organization change course when it does not meet performance goals?
4. What are the organization's key strategies, goals and objectives?
5. Who are your customers?
6. What is your growth rate? What are your operating margins? How do they compare in the industry?
7. What is your position in the industry or market? Who are your competitors? Does the organization have a sustainable competitive advantage?
8. What are the top three priorities that must be executed in next six to 12 months?
9. What are the barriers to optimally achieving the organization's strategy? What are the key gaps that require attention?
10. What are the required skills, knowledge and abilities needed to execute the strategy?
11. What are the most critical workforce issues you face today? Tomorrow? 

Specific Actions You Can Take Today

1. Join a task force on a pressing business problem.
2. Handle a negotiation with a customer.
3. Install a new system.
4. Integrate systems across business units.
5. Make speeches for the organization. Consider speaking before your child's class.
6. Volunteer for a booth at a trade show.
7. Work short periods in other units.
8. Plan a project with another function.
9. Introduce Six Sigma.
10. Summarize a new trend and brainstorm its ramifications with others.
11. Spend a day with a customer.
12. Do a "potential problem" analysis of a new approach.
13. Summarize a new trend and present it to others, using the organization's vocabulary.
14. Spend time in the field with the sales staff.
15. Run a task force on a pressing business problem.
16. Take a business trip to another country.
17. Follow a new product/system through an entire development cycle.
18. Deal with a business crisis outside HR.
19. Make peace with an adversary.
20. Write a speech for someone higher in your organization.
21. Write a postmortem on a failed project.
22. Create strategic alliances in the organization.
23. Plan a project with another function.
24. Ask colleagues in other key departments to make presentations to your HR group describing the challenges they are or will be facing. 



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