

# REIMAGINING THE CHRO

THE CASE FOR MAKING YOUR HR LEADER  
A TRUSTED ADVISOR IN THE BOARDROOM.

**BY OMAR ISHRAK, CHAIRMAN AND CEO, MEDTRONIC  
AND CAROL SURFACE, CHRO, MEDTRONIC**

Chances are, if you asked 25 CEOs about the primary role of their CFO, you would hear similar answers: managing the financial actions of the company, financial planning, financial risk management, record-keeping, financial reporting and similar responsibilities. What if you asked the same question about the CHRO? Other than consensus on the role of leader of the HR function, the responses likely would vary widely—if the CEO thought the role extended beyond functional leader at all.

As CEO and CHRO for Medtronic, we see this lack of role clarity as a significant missed opportunity. A close partnership characterized by aligned priorities and clearly defined roles is imperative to driving Medtronic's business strategy. Leading an effective and efficient HR team is important, of course. But it's table stakes. A strong CHRO should serve as a board's leader of human capital and play an active role, along with his or her executive peers, in driving business results.

How, exactly, should that happen? The lack of CHRO role clarity was the driving factor behind the CHRO Global Leadership

Board's (CGLB) work to examine the role in the context of today's business environment and establish a global standard of excellence for it. Working with a research team from Gartner and with input from highly successful CHROs and CEOs across a range of industries, board members developed a model that defines what they see as the high watermark for the role CHROs can and should be fulfilling within their businesses. At Medtronic, this model serves as both a framework and a consistent reminder of the importance of priority alignment for us in our work together. Let's take a look.

## **THE WORLD-CLASS CHRO**

Serving as the HR functional business leader is the foundation of the CHRO's role. CHROs also are expected to either come into an organization with, or quickly acquire, business acumen specific to the company they are serving, as well as to work with executive peers to shape and influence business strategy. These three areas of expertise are considered non-negotiable: they are essential for success in this—and any—C-Suite position.

The five pillars that sit atop the model's foundation outline the key responsibilities that define a world-class CHRO (see table, p. 22). These pillars require the CHRO to step beyond HR functional management to truly lead the business in the critical areas of talent strategy, enterprise change and company culture, as well as to serve as a trusted adviser to the CEO and the board. The CHRO role as outlined by this model is much richer and more complex than that of a functional leader, and we believe it captures the full potential of the CHRO and what the CEO should expect from him or her.

It's important to know that this model wasn't developed in the echo chamber of HR professionals. It was tested, validated and adjusted after extensive interviews with current and former CEOs of large-cap companies across a range of industries globally. The model's advantages are many. It provides role clarity for CHROs and the CEOs they work with, leading to closer priority alignment and clear expectations for performance. It is flexible across industries and companies of all sizes and is applicable whether you are in



**"I trust her 100 percent," says Medtronic CEO Omar Ishrak of the company's CHRO, Carol Surface.**

**We believe the CHRO's role as the board's leader of human capital is one of the role's most interesting and important evolutions.**

growth or contraction mode. It's also flexible internally; the CHRO's time allocation can easily shift to support business needs. And the model is aspirational. Very few CHROs enter the role with strength and experience in each pillar, but the model defines a world-class standard for how the CHRO role is performed by leading practitioners today and in the foreseeable future. And, increasingly, CEOs and boards are demanding that level of expertise from their CHROs.

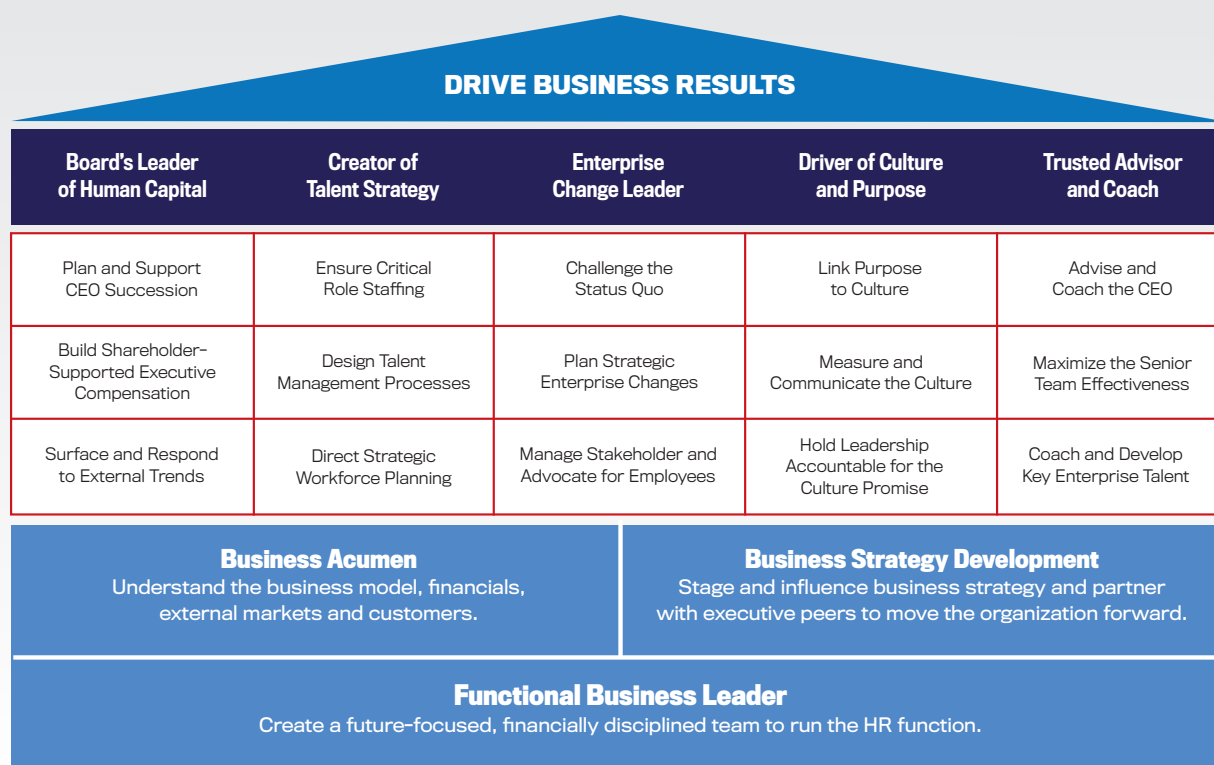
**MODEL IN ACTION**

At Medtronic, the world-class CHRO model guides our work together in support of the company's business goals. For example, early in both of our tenures with the company, there was a need for a focus on succession planning for several key roles within the company, and that is where Carol spent much of her time as the board's leader of human capital. Then, Medtronic completed an acquisition that doubled the size of the company overnight. While we didn't abandon talent and succession planning, we made an

immediate pivot to assess our organizational design, to ensure it fulfilled and aligned to our overall business strategy and supported the upcoming integration. At the same time, Carol's focus shifted to that of enterprise change leader, driver of culture and purpose and HR functional expert during a lengthy period of acquisition planning and integration. The model accounts for the flexibility that is required to support the dynamics of a rapidly changing business landscape.

We believe the CHRO's role as the board's leader of human capital is one of the role's most interesting and important evolutions. The human capital pillar charges the CHRO with identifying external trends that impact the business and bringing them to the attention of the CEO and the board. In today's environment of rapid-fire information sharing, this role is key. For example, Carol recently helped us navigate the new expectations brought about by the #MeToo movement in a way that not only supports our ethical responsibilities but also helps to drive the culture we are committed to at Medtronic.

**MODEL OF A WORLD-CLASS CHRO**



# A DIRECTOR'S PERSPECTIVE

*Former DirecTV CEO Mike White, a director at Bank of America, Kimberly-Clark and Whirlpool, says today's CHROs should be as present in the boardroom as CFOs. Recently, he shared his thinking in a conversation with CBM and Medtronic's Carol Surface.*

INTERVIEW BY JENNIFER PELLET

## **You've described the CHRO's role in the boardroom as "elevated" in areas like talent strategy, enterprise change and corporate culture in recent years. Why?**

**Mike White:** It started, I think, with Say on Pay, but it's a confluence of things beyond that. You've got incredible competition for talent in a market where talent is tight and huge demographic shifts occurring—10,000 baby boomers retiring a day, and millennials who have somewhat different views on what they want out of their experience in the workplace. Also, you've seen the rise of the #MeToo movement, some breakdowns in ethics and increasing emphasis on the importance of culture in the last two years.

I'd also say that investors are increasingly asking about human capital management, particularly the large mutual and exchange traded funds. They're very actively interested in seeing a board's oversight of strategy, ESG and, in particular, talent management. That also includes gender pay equality and diversity and inclusion. So, investors and proxy advisors—the BlackRocks, the Vanguards, the State Streets and ISS—are now much more actively interested in how a board is overseeing strategy and human capital management as an integral part of strategy.

All that has substantially affected the role. At Bank of America, Kimberly-Clark and Whirlpool, I would say we, as a full board, see the CHRO as often as the CFO, which is pretty much every meeting.

## **Today's CHROs are called on to identify external trends that impact businesses and bring them to the attention of the board. Can you share your experience of how that sort of thing takes place in practice?**

**White:** It happens in a variety of ways. Formally, the boards I'm on typically have an annual presentation from the CHRO on the talent management process and then, separately, we will take a look at succession and development priorities for the top 100 executives. But you may also have hotline events or a high-profile event in another company or on social media externally where we shift to say, "We want to put that on our board agenda."

Often, in today's world, issues become reputation issues very quickly. And 99 out of 100 reputation issues are either a personnel issue, a culture issue or both, which then immediately involves the CHRO. Having a diverse workforce, an inclusive culture—which we think is a competitive advantage—or dealing with breakdowns or pay practices that ensure we're driving pay for performance or ensuring that we've got pay equality, all require the CHRO's leadership.

For example, on one of my boards, the CHRO took the lead in hiring an outside data firm to analyze [pay for] all of our employees. We already had an extensive and exhaustive process of reviewing compensation decisions to ensure pay equality, but they brought in an outside adviser and worked together with them to try to normalize [pay levels] for experience. In our case, because of all the work the company's already done, we're 99 percent-plus in terms of both the women and minorities' pay relative to white males, adjusted for experience.

## **It sounds like you were doing pretty well with it already. What drove the need to hire an independent firm?**

**White:** Often, when you have regulators or governments like the EU or the UK asking questions, we want to ensure that the data is right. So, while we were

confident we were doing the right thing, we felt it was really important that they have an independent consulting firm work through the company's data. And, again, they needed to work closely with the CHRO to ensure that that was the case.

**Carol Surface:** The pay equality issue represents the intersection of the diversity, inclusion and equity components, but also internal and external trends of increasing levels of transparency expected by employees and prospective employees. The CHRO plays an important role in assessing when, where and why to disclose certain things internally and in the public forum. Does it help or hurt from a reputation standpoint? How do you marry the organization's internal priorities and employees' expectations with emerging external trends? It's a good example of [the importance] of looking at external trends, being able to pull that into your priorities internally and synchronize that work and activity.

## **We're hearing so much these days about culture, which has always been so important and, yet, is such a difficult thing to impact. What kinds of conversations are you having with CHROs about culture?**

**White:** Often, the issues we run into with a culture or values breakdown are in an emerging market. I've been involved with several. Depending on how big the values breakdown is, the issue is what do you do about it? How you go about resetting and reminding everybody of your values? We did things like put in place values training.

When I was at DirecTV, we had an issue in Latin America over soccer and some payments, and I remember saying to the board in an executive session,

‘Look, this is not the the culture of DirecTV, so when the senior team comes in, I think it’d be important for the board to weigh in and make very clear your expectations, which by the way are mine, that we operate with integrity, and we always do the right thing.’ The board did that, and we cleaned up the issue.

But I’m also a believer in looking at culture through the lens of workforce engagement scores. Having an engaged workforce is a critical piece of success. How open and inclusive is the environment for that workforce? That tends to create a place where people want to come to work. Increasingly, millennials insist on this kind of thing. Finally, are you comfortable bringing forward bad news? I look at that very carefully because I’ve seen breakdowns because folks didn’t want to bring forward bad news.

**Are boards today getting deeper into the ranks in terms of talent development throughout the organization?**

**White:** We have dinners before every board meeting where we get exposed by the CEO to the top talent in the organization, so we get to see a lot of folks. It’s not management, it’s oversight, but it’s part of overseeing the talent management agenda. I think it is probably more formal for most companies than it might have been 10 years ago and also goes a little deeper because businesses are more complex and there are more changes going on that quickly become human capital issues. If you’re on a consumer product company board—and I’m on two—you are having conversations about Amazon and e-commerce, which quickly become, “What are our digital capabilities, and do we have the human capital we need?”

**Surface:** In general, there will be companies with that approach and those with boards of directors that approach the inspection of the talent management strategy differently. What Mike just



**WITH THE BOARDS I’M ON, I DON’T KNOW OF A STRATEGY CONVERSATION THAT DOESN’T VERY QUICKLY BECOME LINKED TO, ‘DO WE HAVE THE RIGHT TALENT?’”**

**—Mike White, Director, Bank of America, Kimberly-Clark, Whirlpool**

described, as well as the experience of Medtronic conveyed by Omar, is that we’re involved with companies that we think are approaching it in an appropriate way. Directors work with management to ensure that there’s enough visibility and alignment around the strategies of the company and how those strategies get activated by having the right talent and capabilities to fulfill the outcome of those strategies. And, does the company culture either enable and accelerate the activation of these strategies or act as a decelerator? Or, what could potentially get in the way of the overall company’s reputation?

Boards and directors who are acutely attuned to the importance of talent and

culture on business performance know what questions to ask of management to ensure they have visibility. Directors should expect the CEO and CHRO to provide the right metrics on talent and culture. The metrics, or scorecard, could be inclusion, engagement levels of talent or potential ethics or culture issues that [surface] through anonymous hotline reports.

Working in concert with directors to provide a very transparent landscape is critical. As an example, if you only report aggregate data at an enterprise level, you may miss hotspots—where actions and behaviors are not congruent with what the rest of the organization is doing, which can have a significant reputational impact.

**Is there a heightened importance these days due to the speed at which information spreads and reputational effect takes place when you have an event?**

**White:** There’s no question that headlines, social media and #MeToo mistakes that companies have made all create a lot of noise around the need for the heightened role of the CHRO with the board. That’s certainly true. But I think what’s even more important is what you’re hearing from investors about human capital management and how issues of strategy, like my e-commerce example with Amazon, quickly become about human capital.

From my perspective with the boards I’m on, I don’t know of a strategy discussion that doesn’t very quickly become linked to: “Do we have the right talent? Do we have the right incentives? Do we have the right development plans and retention plans to ensure that we can win with this particular strategy?”

You need talent that’s flexible, adaptable and has new and different skills, whether it’s digital skills, mobile skills, e-commerce skills, to be able to compete in today’s world. We’re in a world that is shifting so fast, you really need to have a world-class leader in the CHRO role.