

CFO's and CHRO's ... Strangers in Each Others' Lands?

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Appeared in CFO Magazine, February 2013

Robert Heinlein's Hugo Award winning 1962 novel "Stranger in a Strange Land" features a character called Valentine Michael Smith, the son of astronauts from the first expedition to Mars. After being born and raised in the culture of the Martians, a second expedition twenty years later brings Smith to Earth.

A [recent report by the Economist Intelligence Unit](#) surveyed 235 C-level executives in May of 2012, about their impressions of the Chief HR Officer (CHRO). The findings suggest that CFO's regard the world of HR as a "strange land" populated by strange creatures. Yet, the future challenges facing organizations will best be met by leaders that can skillfully bridge the finance and HR boundary.

Fifty-eight percent of CFO's believe their head of HR is "not of the same caliber as other C-level executives," and fully two-thirds of CFO's say their CHRO "does not understand the business well enough." At the same time, CFO's seem to recognize the potential for HR strategic leadership. Though only 30% of CFO's felt that the head of HR was a key player in strategic planning, fully 75% of them want HR to play such a role.

More revealing is the report's findings about how CFO's understand HR. CFO's often value HR for its ability to help them build talent in their Finance department. That's important, but even superb talent programs may not make HR a peer on the leadership team. This would be like saying "Our Chief Information Officer (CIO) does great when they insure that my Finance staffers have the computers and information systems they need." Few CFO's would equate this with the role of the CIO in defining how information and technology offer strategic opportunities.

It is equally revealing to see what CFO's listed as the most useful ways to measure the HR function:

- Employee Satisfaction Surveys (60%)
- Retention Rates (53%)
- Compensation Costs Relative to Industry Benchmarks (53%)
- Benefit Costs (40%)
- Time That Key Roles Remain Open (27%)
- External Ranking of Top Employers (24%)

In "[Beyond HR](#)," and "[Investing in People](#)," and in previous columns here, I have noted the distinction between HR measures that focus on: *Compliance* with regulations and rules, versus *Services* delivered reliably and at appropriate cost levels, versus *Decisions* of key leaders about the talent resources under their responsibility. It is striking how all of the measures mentioned by CFO's focus on compliance or services. This would be like measuring the Finance function solely in terms of things like the time it takes to complete key reports, costs of financial systems, and the external ranking of the organization's financial management capability. Such measures are useful, but CFO's would be quick to point out that they should be held accountable for their impact on shareholder value and organizational performance, reflected in how they help leaders make decisions about money.

The Economist Intelligence Unit concludes by suggesting these best practices for successful CHRO's: (1) Devise metrics that help the CFO measure HR's contribution to the business; (2) Help solve the issues that the CFO feels could most harm the company; (3) Enhance how well HR develops the finance team; (4) Showcase HR's strategic thinking in meetings.

These are certainly legitimate ideas, but they reflect a traditional view of HR's value, demonstrating high compliance and good service to the CFO. Forward-thinking organizations are doing much more to creatively enhance not just HR, but to go beyond HR to enhance talent decisions throughout the organization.

Based on research on the future of HR at the Center for Effective Organizations, we might suggest a less traditional and more aggressive approach: HR must venture more boldly into the land of Finance, and Finance must venture more boldly into the land of HR. Here are two proposals:

Make Finance and HR Career Paths Intersect. The first way to make HR and Finance less like strangers in their respective lands, is to physically put them together. How many of your finance professionals do a "stint" in HR as part of their career path to CFO? In "[Effective Human Resource Management: A Global Analysis](#)," we found that "people rotate into HR," was one of the least-extensive practices among global organizations. Yet, it was significantly related to both organizational performance and a strong HR strategic role. You may recall my earlier column about IBM's insightful

decision to tap one of their top supply-chain executives to design and implement their “talent supply chain” system. Why not tap your top finance leaders to tackle thorny issues like talent risk and optimization? How many of your talented young HR leaders do a stint in finance on their way to the CHRO job?

Make Finance and HR “Mental Models” Intersect. Beyond physical proximity, there is mental proximity. Many studies show that teams and co-workers improve their performance when they have “shared mental models” about their respective roles and expertise. My prior columns showed the similarities between HR issues such as employee turnover, talent segmentation, talent pipelines, and talent risk, and financial frameworks such as portfolio theory, optimization and return on investment. Integrating these ideas requires that HR and finance leaders think differently. For CFO’s this means more than appreciating HR’s ability to reduce turnover or enhance satisfaction in the finance department. It requires fundamentally challenging the assumptions of many CFO’s that HR is too “soft” for analysis or optimization.

The Economist Intelligence Unit report provides the latest reminder that, for all its progress, HR has a long way to go in building its reputation with CFO’s, who seem eager to see HR step up to its potential. Some of the responsibility lies with CFO’s and the finance profession more broadly, to take the initiative and venture deeper into the land of HR.

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