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Integrating Your Business and Talent Strategy: Partnering With Your CHRO Is a Strategic Imperative

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Today's challenging business climate demands that boards of directors and executive leaders view the organization's talent strategy in coordination and lockstep with their strategic business objectives. High-performing organizations are deploying a new talent game plan, led by their chief human resources officers (CHROs), to establish and sustain this alignment.

Throughout the pandemic, boards and executives called on their CHROs with exceedingly challenging questions and requests, and those who were successful responded with exceptional leadership. Amid unprecedented times, CHROs positioned the workforce to thrive. Employees shone as they adapted to remote working models and uncovered new ways to collaborate with colleagues and engage customers, all while managing through the crisis on a personal level.

Many CHROs have earned a permanent C-suite seat and access to the boardroom on the strength of their performance as they have protected, redeployed and supported their organizations' most valuable asset — their people — during a highly challenging three-year period.

The next chapter in advancing and transforming the organization’s talent strategy hinges on how well boards of directors and executive leadership teams leverage HR’s perspective and expertise to derive the greatest value from the organization’s current and future talent investments to support the business and its growth and performance objectives.

Maximizing these critical returns on talent requires board members and C-suite leaders, in collaboration with the CHRO, to view, manage and govern the talent strategy in concert with the business strategy – in other words, to fuse these strategies. To pursue this approach, organizations should:

- Assess the degree to which the company’s supply of talent and skills enables it to meet short-term business objectives.
- Identify the skills needed to achieve long-term business objectives, including both existing and new capabilities.
- Acquire the skills needed to achieve future business objectives while redefining and expanding what “acquire” (the talent acquisition process) means in practice.

Views from the global workforce

83% of global executives identify retention and turnover as a top concern today.

86% of global executives express concern about a potential shortage of qualified workers over the next 10 years.

97% of executives based in North America express concern about a potential shortage of qualified workers over the next 10 years.

85% of global executives indicate that AI and automated recruitment processes will become more important for hiring over the next decade.

Source: *Executive Outlook on the Future of Work, 2030 and Beyond*, VISION by Protiviti, March 2022: <https://vision.protiviti.com>.

This game plan requires a patently comprehensive playbook. Fusing the organization’s business and talent strategy requires new ways to assess talent, along with new board reporting, talent metrics and reskilling approaches. It involves the deployment of an innovative, multifaceted labor model and sourcing strategies. This work also dovetails with ongoing innovations and improvements related to the employee experience; organizational culture; leadership development; succession planning; environmental, social and governance (ESG) considerations; and diversity, equity and inclusion (DEI) imperatives.

With the stakes so high, the board and executive management should ensure the stature of the CHRO role is sufficiently elevated within the organization. The CHRO not only will lead business-talent strategy fusion efforts but also will play an integral role in their success. Accordingly, if the CHRO doesn’t have a seat at the C-suite table as well as access to the boardroom, directors and the CEO need to discuss why not. Boards and executive leaders also need to identify the human capital management capabilities that must be in place for the CHRO to create a robust talent strategy that drives the business strategy successfully.

Five key steps on the path to HR transformation

Progressive organizations began laying the groundwork for the fusion of talent and business strategies years before COVID-19 became part of the common nomenclature. Within these organizations, five HR-related areas have undergone the most notable transformations:



EMPLOYEE EXPERIENCE

CHROs and HR leaders are mapping the employee experience to align with the customer experience in ways that reflect the organization's unique employee value proposition. This often requires a delicate approach given the unique and, at times, opposing needs and expectations of different generations of workers. Organizations that offer differentiated employee experiences recognize and support their people in a more comprehensive manner. This includes providing benefits as well as other mechanisms, such as company-supported and led employee networking groups, that promote physical, mental, social and financial well-being.



ORGANIZATIONAL CULTURE AND PURPOSE

CHROs have spearheaded efforts to strengthen the enterprise's focus on organizational culture and purpose, while at the same time ensuring these two areas are aligned. Given that corporate culture consists of the living collection of behaviors exhibited by the workforce, the CHRO is assuming responsibility for managing those behaviors while equipping leaders with the skills and practices they need to model the behaviors all employees should exhibit with the intention of setting the appropriate tone at the top.



ESG AND DEI

DEI has broadened to address different forms of diversity, including diversity of thought and experience, neurodiversity, ability and disability diversity, and generational diversity. Many organizations have formed employee resource groups that address and promote inclusion related to race, ethnicity, mental health and well-being, LGBTQA, gender, working parents, veterans, and more. More companies now identify inclusion as a core value, and organizational responses to social issues have become intertwined with expanding social and governance activities, recruiting, retention, and the employee experience.¹



LEADERSHIP DEVELOPMENT

The emergence of video and virtual technologies combined with DEI's rapid evolution has motivated leadership experts to study competencies and behaviors that enable leaders to thrive in physical and remote environments alike. CHROs also are placing a greater emphasis on nontraditional leadership competencies such as empowerment and empathy, which build trust and loyalty among employees. These emerging leadership differentiators proved highly effective in fostering employee resilience and flexibility during pandemic conditions when responsiveness, agility and speed to market were paramount. Their importance will continue as other forms of external volatility create the need for fortitude and adaptability.



SUCCESSION PLANNING

High-performing HR executives treat succession planning as a strategic priority beyond the C-suite. Devising and testing knowledge transfer processes and leadership development plans and enhancing executive bench strength prior to losing key leaders and professionals reduces the high costs and stress associated with reassigning roles and responsibilities reactively following unexpected departures.

¹ Read about Protiviti's DEI journey at www.protiviti.com/US-en/diversity-and-inclusion.

Fusing Talent Strategy and Business Strategy

The human and business impacts of the COVID-19 pandemic posed a severe test for CHROs and HR leaders. Pandemic-related challenges served as a laboratory in which HR functions were forced to implement and iterate new approaches, technologies and programs quickly and under pressure.

There are countless examples of success. COVID-19's toll forced business and HR executives to stress-test new leadership competencies such as empathy and empowerment. Remote work previewed the technologies, virtual communications and collaborations that will need to be in place as augmented and virtual reality advancements reach the mainstream. The widespread talent shortage that emerged over the past two years has required HR functions to stand up new sourcing strategies. Divisive social and political issues have required more CHROs to evaluate how organizational ESG positions affect recruiting pipelines, skills at risk and the health of the organizational culture.

Keys to aligning talent strategy and business strategy

- Design and deploy repeatable assessments of organizational talent and skills
- Develop and report new talent metrics
- Redefine how talent and skills are accessed and leveraged
- Integrate reskilling and retention
- Manage the talent implications of high-risk “corporate stances”

Now that organizations are armed with the lessons and insights generated by these innovative HR responses, as well as HR-related transformation efforts achieved over the past several years, it is time to leverage them by integrating the talent strategy with the business strategy. A growing number of organizations are achieving significant progress in developing and sustaining this talent-business strategy fusion by undertaking the following activities, led by the CHRO.

- **Design and deploy repeatable assessments of organizational talent and skills:** Leading HR functions conduct quarterly assessments of their human assets and compare these evaluations to the talent and skills needed to execute the business strategy. These talent inventories are then evaluated based on their alignment with longer-term business objectives (i.e., the skills the company needs to achieve its goals in 12 months, 24 months, etc.). When gaps exist, HR teams develop strategies to meet these talent needs. Many CHROs distill these assessments into periodic reports they provide to the board of directors.
- **Develop and report new talent metrics:** Creating and sustaining alignment between talent and business strategy requires new metrics. As part of their ongoing talent and skills assessments, CHROs track open positions, skills at risk, upskilling opportunities, and a range of DEI- and ESG-related metrics that are relevant to business objectives, the health of the organization's culture (e.g., well-being indicators) and the company's narrative implicit in its external sustainability reporting disclosures.

- **Redefine how talent and skills are accessed and leveraged:** The widespread pursuit of digital capabilities in all industries has resulted in a scarcity of technology talent across most professions and recruiting domains. This digital talent gap is likely to linger for years, even as unemployment fluctuates in other areas. To expand the sources of labor available to their organizations, more HR leaders are instituting a flexible labor model consisting of a diverse talent pool of full-time employees, contract and temporary workers, expert external consultants, and managed services and outsourcing providers. The value of this approach is evident inside companies that responded faster and better to pandemic-driven disruptions and supply chain breakdowns. Leading organizations now leverage contingent labor to achieve more strategic returns, including the development of new capabilities, rather than relegating contract workers and external experts to discrete projects and largely task-based assignments. A new mindset pervades as CHROs spearhead efforts for organizations to invest more thought and effort into framing and supporting how contingent workers are part of the organizational culture.

Workforce trends impacting businesses in the United States

- There are an average of 1.4 available workers per job opening across all industries, according to the U.S. Chamber of Commerce.
- For the past two decades, there has been an average of twice as many available workers (2.8) per job opening.
- There are an average of .96 available workers per job opening in the professional and business services sectors.

Source: *The America Works Report: Quantifying the Nation's Workforce Crisis*, U.S. Chamber of Commerce, June 1, 2021: www.uschamber.com/workforce/education/the-america-works-report-quantifying-the-nations-workforce-crisis.

- **Integrate reskilling and retention:**

The line between upskilling and retention is blurring as more CHROs integrate these strategies. For example, upskilling is needed to elevate employees' proficiency in all forms of automation, data analytics, and advanced technologies such as artificial intelligence (AI) and quantum computing. However, without sufficient and commensurate attention to retention, organizations that invest in upskilling their employees subsequently may see these people poached by better-paying competitors. Upskilling also fortifies retention efforts by conveying a trust-building message to employees: *"We're willing to invest in your future even though we don't know how long you're going to be here."*

- **Manage the talent implications of high-risk “corporate stances”:** An extremely contentious political environment, the power and ease of social media communications, and heightened attention to the customer and employee experience are forcing more executive teams to take a stand on issues that affect their stakeholders and their bottom lines. As more companies develop new governance frameworks and decision-making processes to evaluate if and when to take a stance as an organization, the CHRO plays a central role. Specifically, HR can strengthen these corporate-level decisions and actions by monitoring employee sentiment on ESG and other issues, and identifying and assessing the broad range of human capital risks (e.g., organizational culture, employee engagement, recruiting, retention) associated with each option and alternative scenarios.



Rapid technological advancements and the increasing frequency and velocity of external disruptions and volatility force companies to execute strategic pivots. As a result, talent and skills needs fluctuate frequently and, at times, dramatically.

Call to Action: Redesign the Talent Strategy for Resilience

On the surface, the need to integrate talent strategy and business strategy is straightforward. Establishing and sustaining this alignment is where difficulties arise. Rapid technological advancements and the increasing frequency and velocity of external disruptions and volatility force companies to execute strategic pivots. As a result, talent and skills needs fluctuate frequently and, at times, dramatically. This is the “new normal” of our disruptive times.

Other hurdles also must be cleared. In some C-suites and boardrooms, a decidedly old-school view of HR and talent management persists. These views hold that HR’s primary role consists of enforcing policies, providing benefits and/or handling payroll. Leaders who share this perspective tend to take a reactive view of talent management. For example, their position is likely to be, if the labor market is tight, bump salaries higher, and the CHRO’s board interactions should focus on executive compensation. This mindset, clearly, is not the way forward in these dynamic times and will have consequences over the long term.

Business leaders typically are finance- and performance-driven. But the highest-performing organizations tend to have boards and leadership teams who also recognize the contributions of talent and culture to performance as well as the value of embracing a human-centric, purpose-driven approach to drive long-term growth and success. After all, talent wins.

Recent breakdowns in the global supply chain triggered a near-universal rethinking of sourcing strategies – approaches that elevate the value of resilience while recognizing the total costs associated with “efficiency-above-all-else” supply chain mindsets. The ways that boards, executive teams and CHROs manage talent strategy are ripe for a similar overhaul. Those CHROs and organizations fusing business and talent strategy and employing the strategies detailed here are leading the way.

This is the first in a series on people and talent management topics. Our next issue will focus on the need for a comprehensive talent strategy.

About the Author

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