

DARLA MOORE SCHOOL OF BUSINESS

THE CHRO ROLE IN 2023:

Findings from the HR@Moore Survey of
Chief Human Resource Officers

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EXECUTIVE SUMMARY

The 2023 HR@Moore Survey of Chief Human Resource Officers (CHROs) gained responses from 171 CHROs, and this report focuses on the results regarding the CHRO Role.

Using the updated Gartner “Model of a World Class CHRO” the CHRO participants indicated that the most critical and differentiating roles they play in terms of driving business outcomes are the Board’s Leader of Human Capital, Driver of Culture and Purpose, Trusted Advisor and Coach, and Enterprise Change Leader. These roles stand in contrast to The Functional Business Leader role, which respondents largely considered table stakes or important but expected as opposed to critical and differentiating.

In evaluating the capabilities of the current HR function, CHROs rated “Driving Culture and Purpose” as their strongest capability, followed by “Designing Executive Succession Planning,” “Advising/Coaching Business Leaders”, and “Advocating for Employees”. Their weakest capabilities consisted of “Strategic Workforce Planning”, “Influencing the Development of Business Strategy”, and “Understanding the Financial Impact of HR Processes.” They reported that they are focusing on improving strategic workforce planning, executive succession, and talent management.

As in prior years, our results continue to show that CHROs are much more likely to have been hired externally than promoted internally. However, for the first time, our responses indicate that CFOs are now more likely to have been hired externally than promoted internally as well.

Finally, women increasingly dominate the CHRO role, as our respondents are comprised of over twice as many female than male CHROs. And while white CHROs continue to significantly outnumber non-white CHROs, our responses depict the CHRO role as one of the more diverse roles within the C-suite.

Like every C-suite position, the role of the Chief Human Resources Officer (CHRO) has evolved over time. However, over the past 20 years the CHRO role has been almost revolutionized as people have increasingly become central to the biggest issues confronting organizations. In the late 1990’s McKinsey released its “War for Talent” report that pointed to the increasing competition among firms for the best people. The corporate scandals regarding executive pay in the early 2000’s transformed the content and process for determining executives’ compensation and helped elevate the CHRO to a more active role with the board of directors. Companies’ repeated failures to replace their Chief Executive Officers resulted in boards increasingly looking to the CHRO to help facilitate the CEO succession process. An additional round of corporate scandals attributed to the “culture” of firms such as those occurring in Uber and Wells Fargo led to boards relying on CHROs to monitor and inform them of potential cultural risks. More recently, the COVID-19 pandemic required massive transformation in how and where work is done, again increasing the CHRO’s importance, visibility, and centrality to driving firm success, providing counsel to the board, and supporting the larger society.

The HR@Moore Survey of CHROs has examined the changing role of the CHRO since 2009, tracking the changing issues and challenges faced by those in the role. The 2023 survey continued this tradition with two significant modifications.

First, since 2009 the survey has asked CHROs to report on the time spent in 7 roles that were identified early in this research stream. However, Gartner developed a “Model of a Modern World Class CHRO” in 2018 and updated this model in 2023. This year’s survey used this more up-to-date model, exploring the importance of the various roles identified within that model.

Second, this year’s survey asked a number of questions about the HR function, particularly focusing on the effectiveness of various functional capabilities as well as identifying the areas in which CHROs are investing time and resources to improve.

This report provides a summary of the survey results regarding the CHRO role. We surveyed just over 400 CHROs in May/June of 2023, and 171 of them completed the survey with an additional 12 completing part of the survey.



CHRO ROLE

As previously discussed, past surveys asked about the time spent in a variety of roles. However, the new “Model of a Modern World Class CHRO” describes components of the role that do not lend themselves to “time spent” ratings. These roles are described in **Table 1**.

TABLE 1 Roles of the CHRO:

Functional Business Leader – Create a future-focused financially disciplined team to run the HR function.

Business Acumen – Understanding how the firm makes money and considering the financial impact in the design and development of all HR processes, initiatives, and activities.

Business Strategy – Participating in and influencing the development of the business strategy.

Board’s Leader of Human Capital – CEO succession, executive compensation, responding to external trends.

Creator of Talent Strategy – Staffing critical roles, designing talent management processes, directing strategic workforce planning.

Enterprise Change Leader – Challenging the status quo, planning/implementing enterprise change, managing stakeholders and advocating for employees.

Driver of Culture and Purpose – Linking purpose to culture, measuring/communicating the culture, holding leaders accountable for the culture promise.

Trusted Advisor and Coach – Advising/coaching the CEO, maximizing ELT effectiveness, coach/develop key enterprise talent.

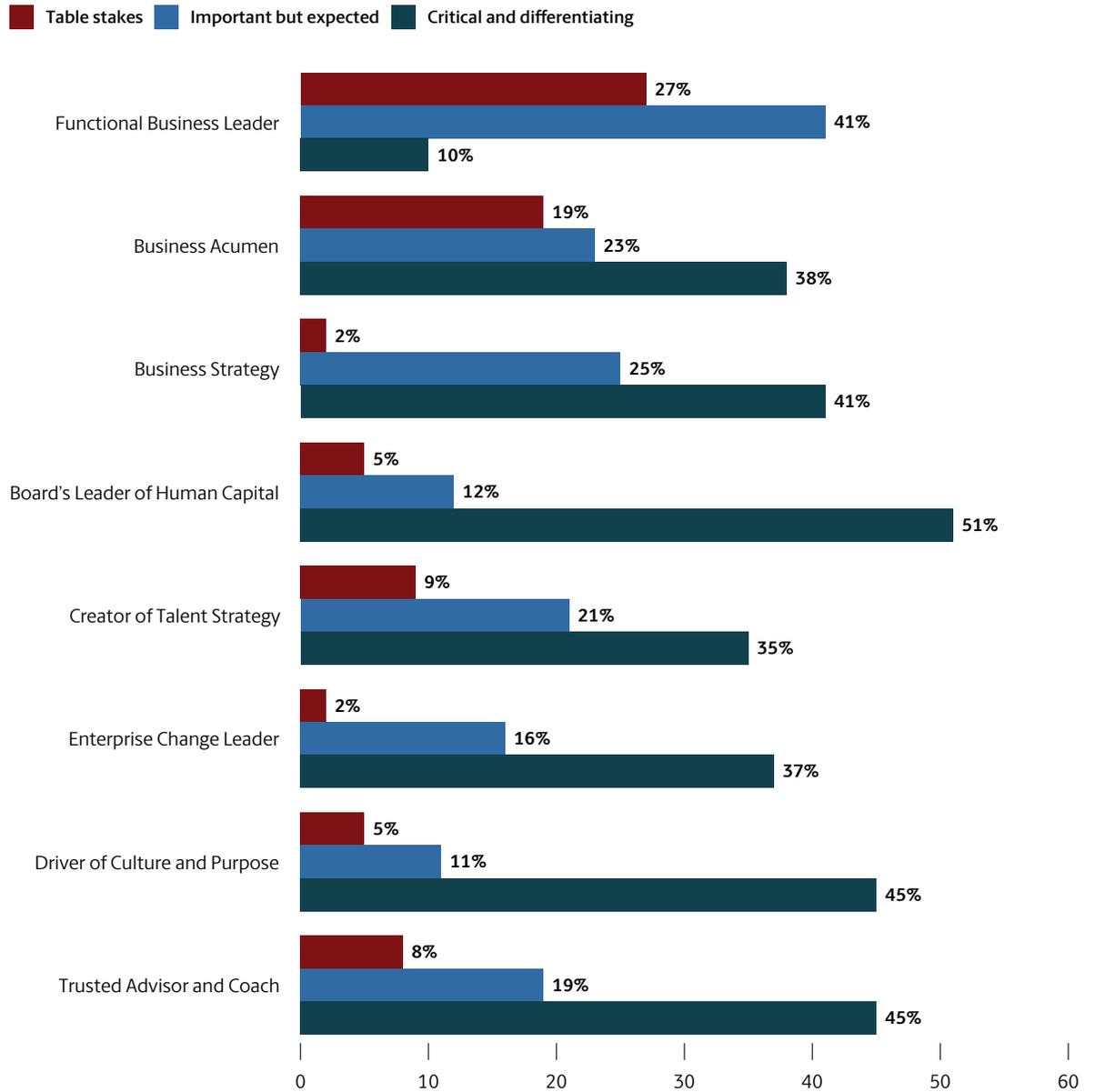
CHROs were asked to indicate the relative importance of each of these roles for driving business success on a five-point scale. The scale anchor (1) was “Table Stakes” with a second anchor (3) of “Important but Expected” and finally (5) “Critical and Differentiating.” **Figure 1** displays these results.

As can be seen in the figure, CHROs reported that the most critical and differentiating roles they play in terms of driving business outcomes are the Board’s Leader of Human Capital (51%/79% for top two), Driver of Culture and Purpose (45%/80%), Trusted Advisor and Coach (45%/72%) and Enterprise Change Leader (37%/78%). These were followed by Business Strategy (41%/68%) and Creator of Talent Strategy (35%/68%). Business Acumen displayed great variability with 38% placing it in the highest category of “Critical and Differentiating” while 19% put it in the lowest category of “Table Stakes.” Finally, their role as Functional Business Leader was assessed as the least impactful driver of business outcomes, getting the highest proportion of “Important but Expected” (41%) and “Table Stakes” (27%) ratings of any item in this question.

Clearly the foundation-shaking events and developments mentioned at the outset of this report have elevated CHROs to a position increasingly relied upon by the Board of Directors, and thus, their interactions with the board may be what most clearly differentiates world-class from very good CHROs. They impact the organization directly through their ability to drive and measure culture and indirectly through their competence at advising and coaching the CEO, ELT, and other top talent. In addition, CHROs have a strong impact through their ability to create an effective talent strategy, particularly one that links to overall business strategy by focusing on talent that are critical to key strategic objectives. Finally, perhaps because of the focus on developing a knowledge of the business over the past 20 years, business acumen and leading the HR function have become table stakes for CHROs. These activities may not differentiate good from great CHROs, but their absence can differentiate between effective and ineffective.



Relative Impact of CHRO Roles for Driving Business Success

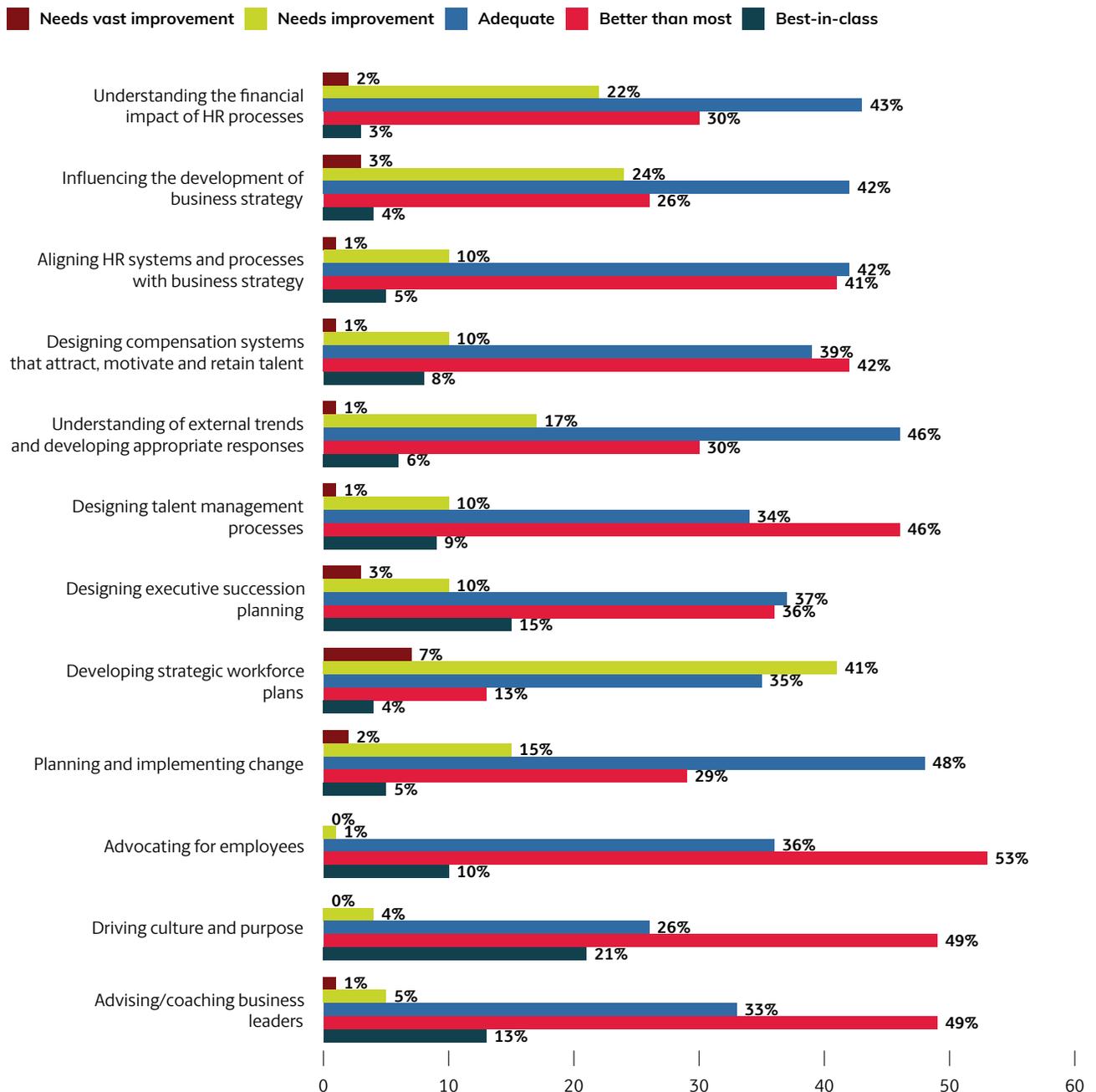


HR Function Capability

After exploring the various components of the CHRO role, the survey explicitly focused on the “table stakes” role of CHROs in leading and building their HR function. The first question asked them to evaluate the function’s capabilities in a variety of its most important areas. For each area they were asked to indicate if that aspect of their function was best described as: (1) Needs vast improvement, (2) Needs improvement, (3) Adequate, (4) Better than most, or (5) Best in class. These results are displayed in **Figure 2**.

Figure 2

Relative Effectiveness of Various HR Function Capabilities



CHROs felt their greatest capability was in “Driving Culture and Purpose”, with 21% rating their function as best-in-class and 49% as better than most, totaling 70% in the top two rating categories. Designing executive succession planning had the next highest best-in-class rating at 15%, with 36% describing their function as better than most (51% total in the top two categories). Advising/coaching business leaders had 13% falling as best-in-class and 49% as better than most (62% top two). Finally, a majority of the CHROs rated their function’s capability in advocating for employees as better than most, with an additional 10% saying they were best-in class (61% top two).

In terms of areas needing improvement, developing strategic workforce plans topped the list with 41% indicating it needs improvement and 7% that it needs vast improvement. Influencing the development of business strategy (24% needs improvement; 3% needs vast improvement) and understanding the financial impact of HR processes (22% needs improvement; 2% needs vast improvement) also emerged as areas in need of development.

Finally, the four areas with the greatest percentage of respondents indicating that their function was “adequate” were planning and implementing change (48%), understanding external trends (46%), aligning HR systems with business strategy (42%) and designing compensation systems to attract, motivate and retain talent (39%).

In some ways these results seem to mirror those described earlier regarding the CHRO’s roles, in that HR functional capabilities are strongest in the areas corresponding to the CHRO roles that our respondents generally view as most impactful (culture/purpose, executive succession/board’s leader of human capital, and advising/coaching).



In an open ended question we asked CHROs to indicate the areas that they were currently focusing on improving. We coded their responses into specific areas and then combined these areas to identify broader themes: Managing Human Capital, Managing Culture and Change, Business Impact, and HR Operating Excellence and the results are shown in **Table 2**. Some specific examples are provided in **Table 3**.

Table 2 Areas of Focus for HR Improvement	Number of Respondents	Totals
Managing Human Capital		
• Strategic Workforce Planning	28	66
• Executive Succession	20	
• Building/Managing Talent Pipeline	18	
Managing Culture and Change		
• Culture	16	36
• Leading Change	10	
• Employee Value Proposition/Engagement	10	
Business Impact		
• Aligning HR Processes to Business Needs	12	32
• Business Acumen	7	
• Financial Impact of HR Practices	7	
• Business Partnering	6	
HR Operating Excellence		
• HR Technology/Digitalization	13	48
• Improving Talent Management Processes	9	
• Data Analytics to Drive Decision-Making	9	
• HR Operating Efficiency	9	
• Standardizing HR Processes Globally	4	
• HR Operating Model	4	

Table 3 Examples of Where CHROs are Trying to Improve Their Function

HR Operating Model re-alignment – rebalance roles from COEs to HR Business Partners who have become disconnected from key processes with TA leading in key areas. Growth of company organically and through acquisition has created a gap in leaders who can scale to the new size so Leader Development & Succession planning is critical.

Executive succession planning – to prepare for significant changes in our industry and ensure we have the right capabilities in our senior leadership team, along with diversity

Digitization of HR processes – (need for automation and responsible/effective use of AI); reskilling/upskilling to address future skills shortages and increase internal talent mobility

Ensuring our HR teams understand how to identify critical talent capabilities is a major area of focus as the company prepares for its sub-entities to become standalone public companies. Relatedly, each company is developing its unique culture strategy aligned with its business goals.

Process excellence – (understanding impact of people processes on the business outcomes) because they are critical levers to driving human capital effectiveness and culture, Strategic Partnering as we go through tremendous change

Workforce planning – need to better support the business in being more thoughtful in organizational planning and thinking through building the organizational capabilities. Other is building better business acumen with the HRBPs.

Driving culture and purpose – with our upcoming spin and portfolio challenges, it's critical that we define the vision and culture for ParentCo for growth, retention and our future. As part of this work, defining leadership, holding accountable to that definition, and both developing skills and preparing for succession, in line with that culture then becomes key.

Understanding the financial impact of HR processes because we are trying to get the business to understand that HR has a large impact on the business.

Data driven decision making and metrics. We need to provide the same rigor on results and impact as the rest of the business

Augmenting business acumen capabilities at the director and below levels; building a robust succession plan for all critical roles

Influencing business strategy and advising/coaching business leaders – my company has not historically operated with strategic HR (functioned more as a personnel dept)

CHROs are devoting by far the most effort on managing human capital as shown in **Table 3**, with 66 responses mentioning efforts in this area. Strategic workforce planning was the most cited activity across all themes, with 28 mentioning it. This was followed by executive succession (20) and building/managing the talent pipeline (18). Note that this aspect of talent was on the actual talent, and not the processes.

The second most cited theme was HR operating excellence with CHROs mentioning it 48 times. Not surprisingly, the most cited component of this was HR technology/digitalization with 13 mentions, followed by improving talent management processes, data analytics to drive decision-making, and HR operating efficiency with each being mentioned 9 times. Standardizing HR processes globally and improving the HR operating model were each mentioned 4 times.

Managing culture and change represented the third most mentioned theme with 36 comments in this area. Culture led this theme with 16 mentions followed by leading change and employee value proposition/engagement with 10 comments each.

Finally, business impact comprised the final area CHROs were working on improving. This theme consisted of aligning HR processes to business needs (12), business acumen and financial impact of HR practices (7 each), and business partnering (6).



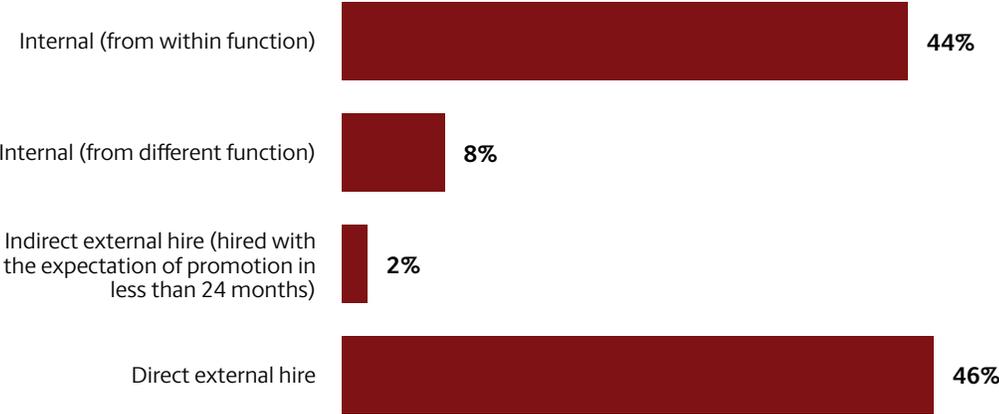
Path to the C-Role

One of the aspects of the CHRO role in this survey has been tracking over time is how CHROs entered the role. Given that they are the experts in talent development and succession, one would hope that they effectively develop their own successors. Yet each year we find that fewer than 40% of CHROs report having come into their position from an internal promotion, with greater than 50% having been hired from outside. Years ago, the question arose as to whether this was different from other C-suite roles, at which point we began asking how the Chief Financial Officer (CFO) was hired into their role. These results have consistently showed that 55-60% were promoted internally with 30-35% being hired from outside. However, the percentage of CFOs promoted internally has declined over time, a trend that has continued with this year's results.

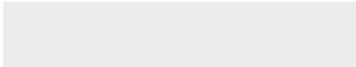
As can be seen in **Figure 3**, for the first time our results show that a greater percentage of CFOs were hired externally (46%) than were promoted internally (44%). This compares to our results in 2022 which showed 45% had been hired externally and 47% had been promoted internally. This suggests that the nature of the CFO role is changing in ways that are leading CEOs to seek CFOs from outside the organization.

Figure 3

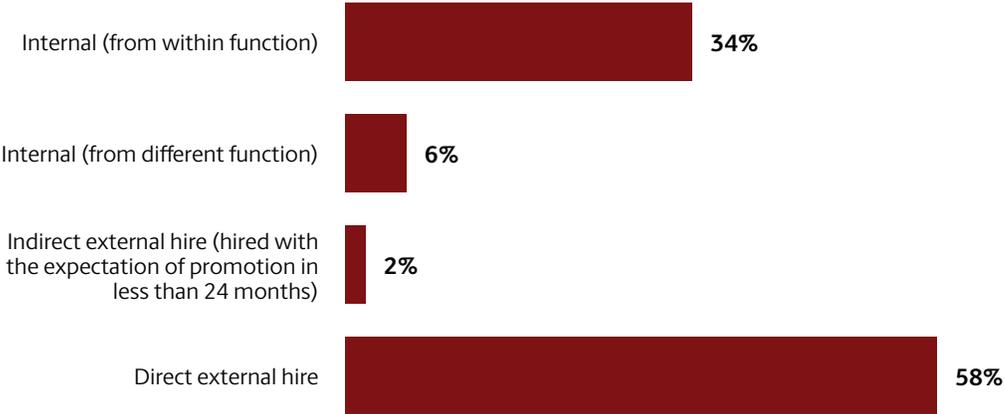
CFO Path to the Role



While the results regarding the CFO's path to the position have been changing over time, the results regarding CHROs remain relatively stable, and perhaps discouraging from a succession planning perspective. As shown in **Figure 4**, this year's survey reveals that 34% of CHROs achieved their position via internal promotion while 58% were hired from outside the organization, compared to 36% internal and 56% external in the 2022 survey. In fact, this year's results are largely consistent with what was observed in 2020 and 2021 as well, with just over 1/3 of CHROs internally promoted. As discussed in past reports, the uniqueness of the role in terms of the chemistry a CHRO needs with the CEO and CEO's desire to avoid risk by hiring a CHRO who has board experience helps to explain why they continue to go outside to find CHROs. However, the fact that many (again, over 1/3) CHROs are promoted internally means that current CHROs can develop and expose potential successors in ways that will result in them being promoted into the role.



CHRO Path to the Role



Demographics of CHROs

Finally, we examined the sex and race of CHROs. As can be seen in **Figure 5**, the vast majority (69%) of CHROs in our respondent sample are female, more than double those that are male (31%). Again, going back to the origins of this survey in 2009, these results have changed dramatically over time. The 2010 report found almost the exact reverse of these findings with females comprising 37% of CHROs and males 63%. Similarly, our 2013 survey revealed 39% female and 61% male CHROs. Clearly, the ratio of female to male CHRO has reversed significantly in a relatively short amount of time. We have not tracked the race of CHROs as much over time, but this year’s survey reveals that white CHROs make up 79% of those in the role (see **Figure 6**), largely consistent with what we have seen in recent surveys. This was followed by 10% Black/African-American, 4% Asian, and 3% Hispanic/Latino. While not fully reflecting the racial makeup of the general population in the U.S. we believe that this is still probably one of the most racially diverse roles within the C-suite.

Figure 5
Sex Composition of CHROs

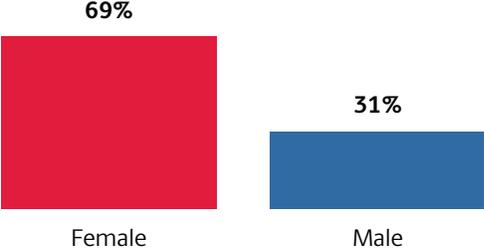
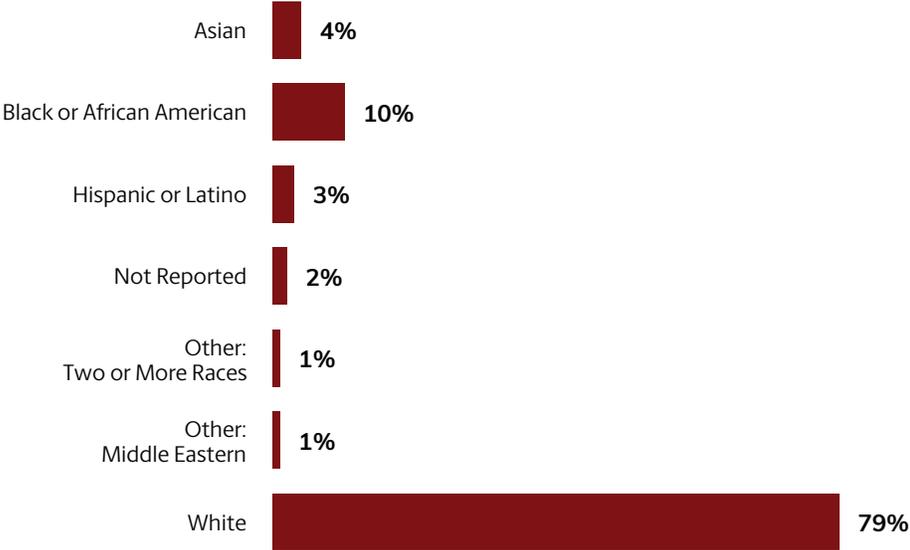


Figure 6
Racial Composition of CHROs



SUMMARY AND CONCLUSIONS

When embarking on examining the CHRO role in 2009, the major purpose was to be able to track any changes over time. However, we never expected that the role would transform so significantly that an entirely new model would be needed to reflect such a vastly different role compared to how it was understood before. The advent of Gartner's World Class CHRO Model was created 6 years ago, displacing the model this study has used for almost 15 years, and just 5 years later had to be updated again. The requirements of the role have most clearly changed with regard to the board of directors (beyond executive compensation to include CEO/executive succession, risk, culture, and the changing workplace) and have driven much of this transformation of this new model.

Our survey results reveal that the Board's Leader on Human Capital, Driver of Culture and Purpose, and Trusted Advisor and Coach were rated as the most important of the components of the CHRO role for impacting the business. In contrast, Leading the HR Function is often viewed more as table stakes, even if still an important role of the CHRO.

Our responses further show that CHROs report their functions most often excel at building culture, executive succession, and advising and coaching, which essentially mirrors the results regarding the importance of the different CHRO roles. This suggests that CHROs take the most important components of their roles and build quality functional capabilities in those areas below them.

Finally, the demographic makeup of CHROs has changed substantially over time. While male CHROs dominated the population in 2009/10, the composition has reversed with female CHROs more than doubling male CHROs today. Future surveys will help determine whether this is the new normal, whether the role becomes even more female-dominated, or whether it reverts to more of a 50/50 composition.

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DARLA MOORE SCHOOL OF BUSINESS

The Darla Moore School of Business at the University of South Carolina is home to a world class faculty and 13 major research centers. It is committed to educating leaders in global business and to playing a central role in the economic growth of the state by bringing the world to South Carolina and South Carolina to the world.

Founded in 1919, the Moore School has a history of innovative educational leadership, blending academic preparation with real world experience through internships, consulting projects, study abroad programs and entrepreneurial opportunities. The Moore School has grown into a thriving site of academic excellence with an enrollment of more than 5,300 undergraduate students and more than 700 graduate students. The school offers a wide range of programs in nine undergraduate concentrations, seven master's degrees and two Ph.D. degrees as well as executive education programs and consulting services to the business community.

In 1998, the school was named for South Carolina native Darla Moore, making the University of South Carolina the first major university to name its business school after a woman.



Darla Moore School of Business

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