

HEIDRICK & STRUGGLES INSIDE THE C-SUITE



INDEX

HOW TO PARTNER WITH AN EXECUTIVE SEARCH FIRM	2
THE CHIEF EXECUTIVE OFFICER	4
THE CHIEF FINANCIAL OFFICER	6
THE CHIEF INFORMATION OFFICER	8
THE CHIEF HUMAN RESOURCES OFFICER	10

HEIDRICK & STRUGGLES

HOW TO PARTNER WITH AN EXECUTIVE SEARCH FIRM



The best executive search firms do not treat engagements as stand-alone assignments to be dispatched hastily. Each search should enhance client leadership and build on prior additions, creating over time a continually strong leadership team that helps our clients not only to compete in today's marketplace, but also to win.

The pace of change in business has accelerated dramatically over the past decade, and promises to continue on its present course. During this time we all have become familiar with the speed at which a company's well-being and leadership needs can change as new competitors arise, customer preferences shift, and alternative technologies emerge.

The search for an executive can either intensify the potentially destabilizing effects of today's business climate or provide the opportunity to turn them around for competitive advantage. The difference depends upon the ability to accurately assess the current leadership gap and to fill this gap within the context of longer-term organizational needs, structure and culture. This skill is powerful when it emanates from a long-term partnership between executive search firm and client. It is, in fact, the chief reason for their alliance.

BUILDING LEADERSHIP TEAMS

The best executive search firms do not treat engagements as stand-alone assignments to be dispatched hastily; nor should a client organization consider the search firm an entity hired only to perform a single task and make its exit. Throughout our history, Heidrick & Struggles has practiced a consultative approach to executive search. Both parties are best served by fostering a long-term relationship with the mutual goals of securing the best candidate for the current opportunity and of building strong leadership teams over time—teams from which competitive advantages can emerge.

To accomplish these immediate and longer-term goals, every executive search demands satisfaction of unique requirements and points of emphasis. Still, most searches progress through five general phases. Each phase presents an opportunity for client and search firm to share and integrate their own perspectives and best practices into the process.

ORGANIZATIONAL REVIEW

The initial consultative phase is arguably the most important in executive search engagements. A thorough due diligence and

needs assessment on the client organization is vital to achieving a positive and successful search outcome. During this phase, the search team meets with search committee members, select board directors, senior management, departmental directors, and/or other relevant stakeholders to gather information on the company's goals, strategies and culture. The search consultant and client then partner to create specifications for the desired position. A good search firm leverages its experience with previous engagements to assist the client in assessing the demands, qualifications and expectations of the position in light of marketplace realities.

Further, expectations regarding the candidates' backgrounds, abilities and competencies, potential compensation arrangements and related information are discussed in depth. Finally, industry segments likely to yield appropriate candidates are identified and reviewed. At this time, viable internal candidates may be identified and included in the evaluation phase.

CANDIDATE IDENTIFICATION AND REVIEW

Based on the position specifications and the client's stated criteria and preferences, the search firm then identifies an initial slate of qualified candidates from among its network of executives. It may also survey its own global consultancy for input on appropriate and potentially interested candidates, or candidates who are content in their current situation but who might be willing to consider another opportunity. Each candidate is considered for pertinent experience, skills and cultural fit. Suitable candidates are approached by the search firm, directly and confidentially, to gauge interest and career goals.

A high level of familiarity and access to the market's most talented and experienced individuals provide a clear advantage here, for a candidate's response to a recruiter's call and receptiveness to an opportunity are key. Many search firms claim this level of access and influence; only a few can actually deliver.

During this time—and throughout the engagement—the client should contact the search firm if additional or different information concerning the position emerges. The most capable

search firms can adjust their approach accordingly with impressive alacrity. Upon conclusion of this phase, the search firm typically delivers a full status report to the client.

CANDIDATE INTERVIEW AND PRESENTATION

This phase of an executive search is where a search firm and its consultants add the most value. Gleaning the knowledge about the client company, and drawing from years of experience in assessing executives' credentials, their ability to transfer skills, and their capacity to positively impact a business, the search's lead consultant now embarks upon a series of extensive interviews with internal and external candidates, assessing in detail the skills, interest level and cultural fit of each. Only the most qualified candidates may be presented to the client, or the client may choose to review all assessments. In either case, a select group of candidates is invited to meet with the client.

Top-tier search firms facilitate interview scheduling and handle logistics such as travel arrangements. It is during this phase when the time frame of a search is most affected since interviews are subject to client and candidate availability.

CANDIDATE SELECTION AND PRESENTATION OF OFFER

Client participation is always important. But at this stage, client input and decisions are paramount. The search consultant helps the client work through the decision-making process, but the final decision ultimately rests with the client. The client shares with the consultant all interview feedback, which the consultant augments with an analysis of each candidate's strengths and ability to meet the company's current and future needs. If additional candidates are desired, the search firm identifies and presents them on an accelerated schedule. Educational creden-

tials are verified before candidates are presented; as soon as a clear choice emerges, formal reference checks are performed and reported by the search firm.


Top-notch search firms also provide input on a candidate's desired compensation, and assist the client in formulating an offer, presenting it to the candidate, and negotiating its acceptance. Should extensive, complex negotiations be

required, the client and search firm may choose to tap an external compensation consultant until an agreement is reached.

The best search firms offer related services such as professional development and executive assessment to support a new executive's integration into a client's organization.

TRANSITION, CLOSURE AND FOLLOW-UP

This final phase includes assistance from the search firm in transition planning and executive integration, if needed. Most search firms also conduct a closing review to gauge the client's perceptions and level of satisfaction. As part of a consultative approach to executive placement, follow-up can continue through whatever time frame is mutually acceptable.

The best search firms also offer related services such as professional development and executive assessment to support the new executive's integration into the client's organization. Professional coaching during the executive's first 100 days, for example, increasingly is chosen by companies as a way to protect their investment in the new executive. 

HEIDRICK & STRUGGLES: THE VALUE WE PROVIDE

We are rigorous throughout the search process to ensure that we maintain high standards of excellence. An emphasis on quality is at the forefront of every search we conduct.

Our reputation as the world's premier resource for executive search and leadership consulting services is based on the value we provide to clients through a consultative and professional approach:

ACCESS AND KNOWLEDGE

A global network of consultants possessing geographic, functional and industry expertise.

SKILL

A demonstrated ability to assess and recruit executives across all industries.

RESOURCES: COMPREHENSIVE ANALYSIS

An objective analysis of the required skills and competencies for a given position using state-of-the-art assessment tools, proven interview techniques, appropriate sourcing and professional referencing.

SOLUTIONS: INSIGHT AND JUDGEMENT

An intrinsic understanding of the values and critical success factors required to successfully complete each assignment as well as to build upon for a long-term, mutually beneficial partnership.

THE CHIEF EXECUTIVE OFFICER

Corporations and investors are insisting on CEOs with a bias toward action—everyday leaders ready and able to roll up their sleeves, get down in the trenches, and execute.

In a new era for business, chief executive officers face a new mandate. Glamour and glitz are out. Transparency—in terms of ethics, values, and goals—is in. Even more in demand are CEOs with the ability to translate this transparency into actionable strategies. As such, corporations and investors are insisting on CEOs with a bias toward action—everyday leaders ready and able to roll up their sleeves, get down in the trenches, and execute.

With the conduct of boards and senior-level executives under heightened scrutiny, business leaders are reassessing the role of the chief executive officer. In today's tumultuous environment, they ask, what competencies, skills and experiences identify an effective CEO? The traits that define effective CEOs are important in any economic climate. But in today's volatile marketplace, where uncertainty is the only given, these bedrock values and competencies are absolutely vital.

Every business organization today faces a common challenge: winning the trust and confidence of investors as well as the wider public. To meet that challenge, everyone in the business community should first acknowledge that there has been, regretfully, reason for doubt. Many people took for granted the honesty and integrity of our corporate leaders. No more. We all have a renewed appreciation for CEOs who visibly demonstrate their commitment to ethical conduct in every situation and in every interaction. Their consistent ethical behavior sets the standard they expect the rest of their organization to follow, and it is the best possible safeguard of a company's reputation.

But integrity alone will not satisfy the demand for leadership. Now more than ever, investors, employees and corporate boards insist on results—*results they can rely on from management they trust.*

It is no wonder, then, that after ethics and integrity, almost all our clients rank superior operating skills near the top of their list of CEO competencies. Financial acumen is also a crucial component of this skill set. CEO candidates we interview who pose smart questions about our client's capital structure or those who eagerly and unabashedly inquire about the opera-

tional skills of the organization set themselves apart. But operational and financial savvy can carry a candidate only so far. Just as important is the ability to formulate a plan of action and execute it, swiftly and decisively. Indeed, mastery of the fundamentals, the basic blocking and tackling of business, matters more to our clients than a well-known name from a top corporation. What they want to see is a proven record of excellence, especially in times of adversity and volatility.

THE EXECUTIVE RECRUITER'S PERSPECTIVE

Much of our job involves testing CEO candidates' claims of operational achievement. As soon as a candidate speaks with quiet pride of "improving the top line," we start probing. "How?" "Can you provide details? What about the bottom line?" What we look for is the ability to "make a market," or the ability to pounce on opportunities that stimulate demand and drive growth, even in a slow environment where many CEOs would be happy just to hold their own. Great corporate leaders not only spot those opportunities, but they can also mobilize the organi-

zation to take advantage of them. Put simply, they know how to put one foot in front of the other.

After ethics and integrity, almost all our clients rank superior operating skills near the top of their list of CEO competencies.

The CEOs who possess the ability to make a market are those who know their companies bottom to top. A few years back, the CFO of a household-name U.S. corporation told us that his CEO had not visited any of his own

company's plants in more than five years. We might ask ourselves: How could that CEO drive innovation in his company if he didn't know what his general managers worried about every day? How could he spot the rising star who deserved a stretch role? How could he know which areas needed improvement? And how could he make the necessary and often tough deci-

sions in order to be an effective CEO? Lawrence Bossidy, Chairman of Berkshire Hills Bancorp, Inc., and co-author of "Execution: The Discipline of Getting Things Done," echoes this point. "I'm not terribly enthusiastic about hands-off CEOs," he says. "Especially in the current climate, you have to have intense involvement." Indeed, we would submit that the companies that execute best—those which set a goal and swiftly mobilize the resources to attain it—are the companies whose CEOs are familiar with every layer of their organization. They know where to find the people who can get the job done, and how to turn latent organizational knowledge into dynamic organizational learning.

COMMUNICATION. PERSUASION. ACCOUNTABILITY.

Execution in a large organization is in many ways a problem of communication. "You have to articulate clear goals," says Bossidy. "Goals that the whole organization can understand, so that everyone is working in the same direction." Just as important as setting the goals is persuading the people of an organization to "own" them—to make achieving those goals their personal responsibility.

Mobilizing an entire organization toward an ambitious goal is just one test of a CEO's communication skills. Today's CEO answers to many constituencies—employees as well as shareholders, suppliers as well as securities analysts, regulators as well as the communities where the corporation does business. Therefore, effective CEOs invest significant time articulating clear, consistent messages to each group of stakeholders, and in showing by example how the company's goals and activities are consistent with its values.

The CEO job is impossible without prodigious energy, a key component of leadership that is often overlooked. In fact, energy and a passion for continuous learning are a large part of what leaders communicate. As Bossidy says, "You have to create excitement for people to perform at their maximum abilities. You have to bring some of your energy to the table, and then you have to create an environment where ideas and diverse perspectives are accepted and debate is encouraged. And you need to temper that atmosphere with the discipline of execution. When you're through exploring an idea and debating it and getting excited about it, you have to come to a decision. You have to resolve things, not just table them."

That brings us to decisiveness, a quality of leadership that frequently separates the great CEOs from the rest of the pack. Leaders who can process less-than-perfect information in real time and reach decisions with speed and resolve are doing more than just making a single decision. They are teaching their organizations how to execute.


Of all the decisions confronting CEOs, none is more difficult than that which concerns people. Rightly so, given that the most

**The CEO job
is impossible without
prodigious energy,
a key component of
leadership that is often
overlooked.**

important source of competitive advantage for any organization comes from the people who can enhance its value. Indeed, it is no exaggeration to say that a company's future success depends on its ability to identify, attract, assess, motivate, and develop people. So we often ask candidates to describe the best hire they ever

made. Or we suggest they name the best person on their team and explain what makes that person a superior executive. Or we ask a more obvious question: Do you have a person on your team who could handle your job if you left? If it is apparent that there is no one who readily comes to mind or if there is no one ready to step up, that tells us a great deal about that candidate's ability to hire, recruit, motivate and develop teams.

Bossidy believes, as we do, that developing a strong talent bench is a key component of the CEO skill set. Throughout his career, that belief has been reflected in the makeup of his senior management team. Chief among the CEO's brain trust should be a savvy HR manager who understands business strategy. "I always thought that CEOs missed the boat," Bossidy says, "if they didn't include an HR person on their executive team. It is just common sense: If a CEO understands that people are a strategic asset, then the HR person has got to be a key player in the organization."

The contemporary corporation is a study in perpetual motion. Successful organizations are in constant flux as they reshape themselves to meet the demands of a marketplace that grows ever more complex and challenging. "The companies that are built to last today," says Bossidy, "are the companies that are built to change." How well a corporation adapts to change is largely a function of how well it learns, and instilling in an organization a lifelong desire to learn may be the greatest value a CEO can add. But it's one thing for a CEO to communicate a sense of excitement, a competitive spirit, and an insistence on accountability. It's far more difficult to communicate a passion for continuous learning. Bossidy likes to remind himself that, "if I'm not a different person in five years, then I've fallen behind." CEOs who amplify that thought until it reaches every corner of the corporation may not become superstars. But if they make the urge to learn contagious, they give their organizations the best possible preparation for a future whose only constant is change. They are the model CEOs for the next era of business. 

THE CHIEF FINANCIAL OFFICER



The CFO, along with the CEO, increasingly is the public face of the corporation.
The job of CFO is not for the easily discouraged or fatigued.

If you ever took an interest in ancient Roman art and artifacts, or if you ever took high-school Latin, you may recall a deity named Janus. His special talent: He can see in opposite directions simultaneously, in one glance taking in past and future, global and local, inside and out. Today's corporate chief financial officer needs much the same range of vision.

The CFO position demands, as it always has, a high degree of technical competence in financial control and reporting. But the current environment, with its intense focus on corporate governance and transparency of information, also calls for a CFO who is an exceptional communicator. Of all the skills required in a top CFO, none is more valuable than the ability to build confidence and trust. It is as important among internal constituencies, including the CEO and the board of directors, as it is with crucial external constituencies—especially regulators, banking institutions, investors and the media. Indeed, the CFO, along with the CEO, increasingly is the public face of the corporation. In the coming years, demand will likely continue to grow for CFOs who can step up to a prominent leadership role and show the face of business at its best—successful as well as honest, ethical, and straightforward.

Through our experience conducting hundreds of CFO searches a year worldwide, we have witnessed a steady evolution and expansion of the CFO job. No longer merely a staff function, narrowly focused on the mechanics of finance, the CFO position now encompasses many different corporate activities and thus calls for an equally wide range of competencies. The CFO is intimately involved in treasury operations and tax planning, financial controls and regulatory reporting, strategic planning and risk management, organizational design and corporate communication. Above all, the CFO is one of the CEO's strategic partners—not just "running" the numbers but also providing valuable counsel on running the business.

Two people who have helped lead the development of the modern CFO, are Dow Chemical CFO Pedro Reinhard and Michele Burns, CFO for Mirant Corporation. Reinhard has more than 30 years of experience as a senior financial executive and is a leading

practical authority on corporate governance. He sits on the board of Royal Bank of Canada, which has been recognized by Canadian Business magazine as Canada's best board. In his current role, Reinhard is responsible for the complex finances of a chemical and plastics company that serves customers in more than 170 countries and has nearly \$30 billion in annual revenues. Burns, CFO for Mirant Corporation, previously served as CFO of Delta Air Lines during the most tumultuous period of the company's history. If any two people know what it takes for a CFO to be the CEO's strategic business partner, Reinhard and Burns do.

The top finance executive's role has been expanding steadily for decades, Reinhard points out. "The CFO job used to be transaction-intensive," he says. "Now it's knowledge-intensive. When I started out, the typical CFO spent most of his or her time on recording and reporting. Now the CFO is expected to contribute to a strategic assessment of the company and to developing corporate strategies—and sometimes to leading those strategic efforts."

The CFO's sphere of responsibilities has grown so large that it touches nearly every facet of corporate activity. Burns maintains, "Creating, enabling and controlling corporate infrastructure have thrust the CFO to the corporate frontline. Whether these role expansions be in strategic risk management or driving the IT advancements to achieve productivity gains, the CFO is at the forefront of each pendulum swing in business."

Therefore, it is essential for the CFO to have a close working partnership with the CEO and the rest of the senior leadership team, as well as with the board. In fact, one of the most challenging elements of this very demanding job is the work of developing and maintaining lines of communication with various internal and external constituencies. With corporate information of all kinds, but especially financial information subject to unprecedented levels of scrutiny, an organization can differentiate itself with a CFO who can communicate clearly, forcefully and above all, credibly.

EXPERIENCE MATTERS

In financial reporting, nothing enhances credibility more than experience in the field. Most CFOs whose career paths include

stints at audit firms or in the finance departments of top corporations have an assurance and confidence that just can't be faked. Burns believes, "A CFO's familiarity with the nuts and bolts of financial reporting supplements her interactions within the organization, especially with the CEO, the senior leadership team and with board members. Just as important, it sends a powerful message to nervous markets." Hurt by their embrace of everything new, untested, and untried, investors are once again seeking out the voice of experience.

Of course, it's not just investors who appreciate the value of experience. More and more CFOs are coming to the post fresh from operational assignments—in fact, some of the most prominent large-company CFOs are former CEOs of small or mid-size companies. Coupling a sound foundation of financial mechanics with practical expertise, these executives have established finance as a key role in the strategic process, linking business, financial, human resources, and information systems strategies into a comprehensive whole.

It's a CFO's job to add value, even in adverse environments.

Team-building is one of the most valuable skills that operating experience can teach financial executives. CEOs and boards are looking for CFOs who can assemble strong teams to produce financial reports, conduct internal audits, run

tax and treasury operations, oversee pension and venture capital investments, handle mergers and acquisitions, and manage relations with creditors and shareholders. In particular, companies will be competing to field best-in-class financial reporting and compliance teams, and they will look to CFOs to lead the effort. CFOs also have a responsibility to attract and develop a line of leadership succession within their group. Shaping a culture of excellence, integrity and accountability, articulating a vision and focusing the team's energy—these are all vital components of a CFO's skill set—and are as vital as technical proficiency.

There's another group that claims much of the time and attention of today's CFO: the senior leadership team. Organizations have grown so complex and the business environment so competitive, that corporate management has become, of necessity, a matter of networks. Recognizing that collaboration isn't just a good idea, it's the only way to tackle the challenges confronting business, a growing number of senior corporate leadership teams are meeting monthly or even more often for intensive strategy reviews.

"At Dow," says Reinhard, "we spend a week together every month on the various issues we have to deal with, whether it's margin compression in our mainstay chemical business or integrating our acquisition of Union Carbide. As much as anything, it's a chance to share tacit knowledge—what works, what doesn't. That

cross-fertilization is what you get from a network, a 'boundaryless' team, if you will, that you can't get from a strict hierarchy."


Burns contends, "In times of crisis, the seamlessness of the leadership team is critical. The CFO's capability to quickly grasp and communicate the short- and long-term financial ramifications of decisions is paramount."

Corporate boards can be management's most valuable resource in turbulent times, and CFOs should be prepared to work intensively with directors. The days of the once-a-quarter call from the head of the audit committee are over. With renewed energy for their fiduciary duties, directors are taking an active interest in details of strategy, compensation and financial reporting. As such, many CFOs are now speaking with the head of their audit committee on a frequent basis. Once again, the work of managing the relationship with the board calls for top-notch communication skills and the ability to foster collaboration. The best CFOs embrace the opportunity to interact with board members. They welcome the increased scrutiny as an opportunity to improve corporate performance and enhance the long-term value of the enterprise.

CONTINUALLY ADDING VALUE

Constructive engagement with the board is just one way CFOs fulfill their overriding mission, which is to increase long-term shareholder value. "As CFO," says Reinhard, "you're always looking at the interplay between the company and the financial markets and seeking opportunities to add long-term value." And there are always opportunities, he says, either through productivity enhancement or a more proactive approach toward risk management, or improved allocation of capital, or better decision support. "It's the CFO's job to add value," he points out, "even in adverse environments."

Over the next few years, even the best-run organizations will have to contend with numerous attempts at legal and regulatory corporate reform. CFOs have found themselves at the center of their organization's corporate governance reform efforts. By working to make the process collaborative, CFOs can help government produce genuine reform rather than rules that stifle innovation or otherwise burden business.

By now it should be plain to see that the job of CFO is not for the easily discouraged or fatigued. It is a high-capacity position that calls on a wide range of skills and competencies. Not so long ago, many CFOs were basking in the glow of ever-increasing stock prices and ever-improving earnings. More than a few forgot that old proverb: "Never confuse brains with a bull market." But today, the job of CFO doesn't look easy or glamorous. Nor should it. The CFO of any corporation holds one of the toughest jobs in business, and it's getting tougher. At the same time, though, the CFO is continually moving closer to the strategic center of the corporation. The organization of the future is taking shape today, and as a strategic partner of the CEO, the CFO is a key collaborator in the transformation. 

THE CHIEF INFORMATION OFFICER



The CIO has become a major player on the CEO's leadership team, with ample opportunities to shape strategy, set corporate direction and lead change.

Of all the changes that have swept over the business landscape in the past 50 years, perhaps the most significant is the evolution and expansion of the role of information technology and the impact it has had on running a global company. During this period, IT has migrated from the back office to the executive committee, from cost center to revenue driver, from operational outpost to strategic cornerstone.

The role and the very title of the senior-most IT executive has morphed from data processing manager whose primary function was to automate manual processes, to chief information officer responsible for driving technology and often times business strategy. Today the CIO is expected to conceive and execute the company-wide initiatives that are the basic building blocks of launching a company into market leadership. All this has to happen seamlessly, without failure, and with precious few dollars to get it done.

**Today's CIO
must bring a mixture
of technical competence,
business savvy
and leadership skills
to the table.**

depends in part on advances in technological development as well as their ability to deliver against the white-hot competition that impels corporate leaders to extract every last bit of strategic advantage from their organizations' information assets. And if these tasks weren't challenging enough, the CIO role is tested even more as innovation becomes increasingly more difficult in today's constrained economic environment. The CIO in a global organization has become a major player on the CEO's leader-

ship team, with ample opportunities to shape strategy, set corporate direction and lead change.

Long after the excesses of the 1990s have been worked off, that decade may be best remembered as the time when corporate leaders recognized that technology is the engine of a business. The challenge facing CIOs today is how to apply that insight throughout their organization. This calls for an executive with a rare blend of technical expertise and business acumen, conversant in both HTML and P&L.

In few industries is the sense of urgency so great as in financial services, where systems failures can cost an organization millions. "I didn't even know what a CIO was three years ago," claims Tim Arnout, Global Treasury Services Executive for Bank of America. "When I first started in banking," he says, "the predecessor to today's CIO was the Senior Vice President of Data Processing. The role was to post transactions to customer accounts and run daily financial statements for the bank. Today, every core process in the company is enabled with technology and the strategic focus is on the use of information to improve customer satisfaction and to gain competitive advantage. Twenty-five years ago technology consisted of mainframes in the back office; today, the customer and bank have the advantage of interacting directly with each other through technology."

As Marv Adams, CIO of Ford Motor Company, sees it, "The world changed when IBM announced the PC in 1981. As the desktop computer took hold and local area networking took off, the role of the CIO changed dramatically. Overnight, it became one of trying to control the growth of IT and ensuring some consistency in the way IT was implemented across the company. Then came the Internet revolution, and we went from a world with three or four primary providers of technology to one with a seemingly infinite number of software, networking, services and hardware companies. The CIO's priorities have shifted to managing growth and helping the company gain a strategic advantage by investing its IT dollars as effectively as possible."

TODAY'S CIO

Businesses, and CIOs in particular, have entered a new phase. CIOs now go to work every day with the charter to consolidate and rationalize the IT explosion of the 1990s, optimizing systems to wring the highest possible returns from the company's technology investments. In practical terms, this means effectively managing the tension between the demand to deliver innovation and the need for rigorous expense control. "Technology now dictates how businesses develop, change and evolve," says Kelvin Thompson, Head of Innovation at Heidrick & Struggles, who helped to build the firm's CIO Practice. "That's why corporations can't just settle for someone to run the IT shop. They need innovative technology leaders who look at IT as an asset and continually question what the organization can do with technology to drive up revenue, and not simply just drive out costs. That kind of role will become more and more crucial, and in some cases will permeate into the leadership of the company."

THE CIO'S ROLE IN INNOVATION

Forcing innovation is probably the dot-com era's most worthwhile legacy. The advent of the Internet spurred every business organization to take a new look at its business model. In the financial services industry, new thinking about ways to touch the customer forced companies to consider alternative channels of distribution that leveraged the Web, and to utilize call centers and traditional brick-and-mortar models to provide unprecedented levels of customer access. Likewise in other industries, the digital directive has focused management's attention on supply chain issues, logistics and distribution. As impatient shareholders press for steady productivity improvement, IT departments are being called upon to create efficiencies, drive costs down, and streamline buyer and supplier behaviors. Corporations continue to look to technology—and to the CIO—for ways to make better business decisions, improve returns, and build connectivity, both within the organization and externally across the length of the value chain.

Today's CIO must bring a mixture of technical competence, business savvy and leadership skills to the table. A thorough grounding in information technology is a prerequisite for the CIO job. "The CIO has to be able to manage suppliers aggressively," Thompson explains. "If you don't have a background in technology, your ability to manage the people who supply your technology is often limited." Adams believes that today's CIOs are becoming more like investment portfolio managers. "CIOs need


to know when to build capabilities internally versus sourcing some of the portfolio to outside suppliers versus building alliances and forging partnerships," he says.

More and more, evidence supports the case for a CIO to possess business acumen as sharp as any operating executive. In very large organizations, the CIO has charge of thousands of people and an annual budget in the billions of dollars. The position requires strong organizational leadership and financial management skills, and also calls for an ability to balance short-term realities against long-term objectives. "CIOs have become policy-level executives in most companies", says Adams. Strong communication skills are another essential component of this tool kit. "The CIO should be able to make the business case to the technical people and the technical case to the business people," says Arnoult. But most of all, he continues, the CIO needs to be a leader who can build and inspire a high-performing team. "You have to be able to create positive energy and momentum," he says, "particularly when the economy is tough. You also have to attract and retain 'A' players. That is an absolute must."

Adams worries that many organizations are so distracted by short-term pressures that they are losing sight of the importance of cultivating the next generation of senior technology executives. Both Arnoult and Adams believe that companies in every industry are going to have to get much more serious about developing technology leaders in the second half of the decade.

THE FUTURE OF THE CIO

The next wave of CIOs will face demands that earlier generations of technology leaders could not have imagined. Both Adams and Arnoult acknowledge that the financial reporting requirements imposed by the Sarbanes-Oxley Act add to the pressure on CIOs as well as CFOs and CEOs. Additionally, increased security and risk management pressures, combined with the continued demands of the current global economic climate have made things harder. The impact of these issues cuts across every business concern facing a CIO and adds an extra layer of complexity to decisions involving running a global technology-based organization, from selecting business partners and vendors, to outsourcing operations, to developing strategic alliances.

There are a variety of professional experiences and competencies that can spell success in the CIO position. The CIO of the future will play an ever-increasing role in managing information to drive decision making, providing faster, better and smarter tools for running a global company. 

THE CHIEF HUMAN RESOURCES OFFICER

The new breed of HR manager possesses a range of competencies as wide as any line executive's. Business acumen, market insight, communication expertise, technological command—all are essential elements of the HR manager's portfolio of skills.

Under the pressure of global competition and volatile markets, virtually all senior-level corporate roles have changed in recent years, but few more dramatically than that of the corporate human resources officer. Often carrying the title of senior vice president of human resources, the CHRO is positioned at the intersection of strategy and execution, with a charter to recruit, assess, develop and deploy talent across an organization. The CHRO is the vehicle that converts corporate intent into action.

THE HISTORY OF HR

The job bears little resemblance to the classic HR function, which was primarily occupied with industrial relations, payroll and benefits, and unionization. Along the way, HR picked up

Corporations of all sizes and descriptions need HR executives capable of holding their own in a conversation with the CEO about all aspects of business.

other day-to-day administrative activities such as organizing the company picnic and putting out the employee newsletter, but labor relations were its main focus and the source of its influence.

The function changed as CEOs and academics alike came to recognize that in a knowledge-based economy, an engaged, motivated, and coordinated workforce is the main driver of quality and productivity improvements. Out of that seminal insight has evolved the contemporary HR function. Today, at progressive, market-leading companies, HR is integrally involved in organizational design, change management and leadership development. Many administrative tasks, once the HR department's bread and butter, are now outsourced to free up the unit for the higher-value work of responding to market demands and filling organizational needs.

The HR role changed for a simple reason: It had to. The new view of the workforce as the ultimate competitive advantage has emerged just as rapid change, globalization, and highly competitive, risk-intensive markets have rendered that advantage more vital than ever. Under the circumstances, the business case for adding the HR chief to the CEO's top strategic team practically makes itself.

HR TODAY

The new breed of HR manager possesses a range of competencies as wide as any line executive's. Business acumen, market insight, communication expertise, technological command—all are essential elements of the HR manager's portfolio of skills. Often reporting directly to the CEO, the head of HR must be equipped to shape a people strategy that realizes the business strategy.

Sharing their perspectives on today's HR function in this article are Randy MacDonald of IBM and Mike D'Ambrose of First Data Corporation. Both are true luminaries in the HR field and both are acutely aware of how much their missions have changed.

"You can track the changes in the function by the changes in its name," says MacDonald. "It has morphed from Personnel Administration to Personnel to Employee Relations to Human Resources. And rightfully so, it has become heavily focused on talent management—the identification, the attraction, the development, and the performance of talent."

"Not that long ago," adds D'Ambrose, "the CHRO was a watchdog or gatekeeper of sorts who exercised little or no strategic influence. Over time, however, the changes in the marketplace have ensured that the human dimension of the business is increasingly on the mind of the CEO, which in turn has elevated the role of the HR professional to that of strategic business partner."

D'Ambrose notes that in this still-evolving role, the CHRO increasingly is expected to exert leadership by building, measuring, and sustaining organizational effectiveness. "The CHRO needs great leadership skills to motivate the employees of the

corporation to embrace change," he says. "You must be inspirational so top talent wants to join the organization."

The new-style CHRO can usually be found right at the center of the corporate change effort. After all, if a company is moving in a new direction, then its people—their skill sets, their pool of resources, their opportunities for learning—need to move as well. Leading change is the responsibility of the CEO, while HR's job is to align the collective skills and competencies of a workforce with the overall business strategy. "HR should be a catalyst for change," says MacDonald, "not necessarily the leader of it. HR ought to be the identifier of the need for change and the developer of the change techniques. But change occurs at the point of execution, so it's up to line management to take the lead."

Demand for this new breed of HR managers is very high. Corporations of all sizes and descriptions need HR executives capable of holding their own in a conversation with the CEO about all aspects of the business – everything from its financial health and outlook to the worries that keep customers and clients up at night; from the changing shape of the competitive landscape to the impact of new technology on strategy and operations. Therefore, intellect and high-level influencing capability are critical skills for CHROs to possess if they are to affect the CEO and the board successfully. These skills are also essential in another key role of the CHRO: working with line managers to ensure that desirable talent is not only retained, but is also given a diversity of experiences and opportunities to grow and positively impact the business.

"You have to understand the business—period," says MacDonald. "If you don't understand the business you're a very dangerous person, because you could take your HR theory and drive the business in the wrong direction." But historically, the ability to link corporate strategy to HR strategy has not been considered an integral part of the HR skill set. So the challenge for us as recruiters and as consultants conducting executive assessments is to identify HR people who successfully combine the substantive experience of a traditional HR manager with the strategic orientation required today.

RECRUITING HR EXECUTIVES

When we look for executives whose skills and experience match up well with today's expanded HR job description, we tend to find them at the same companies that place the highest value on talent and talent development. Right now, such companies are more the exception than the rule, but they're on the leading edge of a significant trend. Over the next five to fifteen years, a growing number of companies must step up their efforts to identify, develop and retain global leaders, as it becomes widely accepted that the most productive way to invest in human capital is to develop high-potential executives.


When they launch a search for senior HR executives, a growing number of board directors and CEOs are making it clear that they don't simply seek experience. They want candidates who can quantify the value of their experience—that is, demon-

strate the return on investments in human capital, and specifically how their HR leadership boosted that return.

MacDonald points out that an entire toolkit of HR metrics has evolved for just this purpose. And he candidly explains why: "If HR wants to be a strategic partner to senior management, it has to show how it adds value and makes a difference to the business. And the way it's going to do that is by measuring itself. At IBM, we measure everything from cycle time for filling a job to attrition. We use performance metrics to get a fix on who we're losing compared to who we're keeping. We measure the early identification of diversity candidates. We measure the early identification of future leaders. These sorts of metrics are what we use to say, 'Here's how we're adding value.'" When board directors and CEOs ask for details about HR candidates' abilities regarding teambuilding or leadership development programs, or about morale and culture, candidates with hard data metrics in hand appear more attractive than those with just anecdotal evidence. These days, directors and CEOs demand data.

They also want CHROs who are prepared to take on a role that is growing more complex and more challenging. As a volatile economy strains corporate resources, HR managers will face tough decisions about costs and staffing. The pace of mergers and acquisitions has slowed considerably in recent years. But the work of rationalizing earlier mergers will continue, and many companies have yet to face up to the hard work of eliminating redundancies in their organizations. They will need HR executives who aren't afraid to make tough choices and stick with them. "A good HR person needs to be decisive," says MacDonald. "Too many HR people are consensus-builders in an environment where it's necessary to just take a position and be comfortable with it. Decisions should be fact-based and not entirely driven by emotion."

That kind of skill calls for clear sight and straight talk, and both MacDonald and D'Ambrose suggest that those are the most important attributes a CHRO can bring to conversation with the CEO. "The words that should characterize your relationship with your CEO," says MacDonald, "are intimate, factual, involved and honest." Especially, says D'Ambrose, when it comes to the organization's culture and values, which HR is responsible for safeguarding. "We will continue to see greater recognition for the CHRO as the shaper and protector of the company's culture and values," he says. "The CHRO needs to go to work every day ready to be the voice of what's right, no matter what. You're responsible for assisting the CEO in carrying the integrity message into every level of the organization."

Few positions in any organization call for as wide a range of skills and competencies as the CHRO post. The job demands strategic vision, business and technological savvy, decisiveness, inspiring leadership, and unshakeable honesty and integrity. And that's just for starters. But an organization can ask no less of the executive responsible for what is, after all, its most important asset: people. And a board of directors and a CEO should expect no less from their strategic business partner. 

Heidrick & Struggles International, Inc. is the world's premier provider of senior-level executive search and leadership consulting services, including talent management, board building, executive on-boarding and M&A effectiveness. For more than 50 years, we have focused on quality service and built strong leadership teams through our relationships with clients and individuals worldwide. Today, Heidrick & Struggles leadership experts operate from principal business centers in North America, Latin America, Europe and Asia Pacific. For more information, please visit www.heidrick.com.

HEIDRICK & STRUGGLES