

The Emergence of the Chief Human Capital Officer

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Opinion

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Why businesses need a chief human capital officer

The debate around HR being on the board has raged for some time, but I think it is high time we moved this debate on. Instead of assessing whether HR deserves a seat at the top table, I believe more organisations should introduce the role of chief human capital officer (CHCO) in recognition of the evolution of HR's role and the contribution it makes to the business.

There are already a number of group HR directors who could loosely be labelled CHCOs, given their remit and forward-looking mindset. CHCOs, by definition, have a board role and would be accountable for signing off a human capital report much as a chief financial officer signs off the organisation's financial report.

I would like to think that HR professionals view this development positively in raising the profile of HR in general. It is neither a rebranding exercise, nor an example of 'role inflation' without further accountability/responsibility. On the contrary, it is a serious attempt to acknowledge the increasing complexity of organisations and people management. It is also an acceptance that effective management of people does make a difference to organisational performance.

Given the importance of people relative to other inputs in many organisational business models (public and private), it is mystifying as to why there is such little board representation of HR. There are a number of reasons why this is the case but, for me, there are three that stand out: management expectation; perceived competency/capability; and the tenuous HR link to performance. They are connected, but in essence it's about HR leadership.

The CHCO role is designed as a means of raising the 'leadership profile' and associated authority of HR through impacting on the areas mentioned above. The role is very much strategic and proactive in terms of governance, policy, organisation architecture and performance, productivity, risk, measurement and reporting.

It is true that many organisations can be described as 'chaotic' but that does not mean HR functions spend their entire lives being reactive, armed only with some form of sweeping brush. Swapping a brush for a compliance rulebook is no answer either. The increasing use of analytics to provide insight into people/organisational performance and business intelligence will define the more proactive elements of a CHCO role.

For too long, traditional HR has not readily embraced the opportunity to measure its performance or look beyond the confines of transactional HR activity. It is easy to be ensconced in operational matters, convincing ourselves that we add value by primarily

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'firefighting' through hard work and endeavour. Ambition in HR seems to be in short supply. I often wonder how, as a profession, we will be able to attract good quality candidates in future.

Leadership of a CHCO impacts the HR function by making it more dynamic, and helps move away from the traditional 'silo' approach.

As a result, HR departments are regarded as being more flexible, instead of being 'static' or 'boxed', which are terms often used to describe HR.

However, the CHCO role should at least subject to the demands of the 'duck test', i.e. if it walks and talks like a duck it most probably is. Thus, CHCOs will be identified with what they say, how they act and what they do.

The logic of the CHCO role – and its impact regarding profile, remit, competency, capability, importance and aspirational qualities – makes it difficult to argue against. For those who are yet to be convinced, we are already working with a FTSE100 company in profiling the CHCO role. In other words it is already happening.

The debate around the CHCO role has far broader implications. Given the various opportunities and challenges, the emergence (or not) of the CHCO will, to a large degree, determine the future direction and capability of the HR function and, indeed, the wider profession.