

# CHRO vs. CFO: 5 Ways to Elevate the CHRO Role

written by HR Banana

November 11, 2020

If I ask you who has the most influence and power in your organization- the CFO or the CHRO, how will you respond ? The overwhelming answer would be that the CFO is a much more powerful position. This is probably true whether measured in terms of influence, scope of responsibility, impact of decisions, etc. The CFO is probably the second or third most powerful position in the organization-depending upon how strong the COO is.

Okay, let's accept that. If we would rank the other members of the C-Suite, who would follow next behind these three? Would it be HR? Not likely. In healthcare, it is a stronger possibility that the CNO, VP of Ancillary Services, VP of Support Services, and possibly VP of Marketing would be ranked ahead of the CHRO-regardless of actual title.

## What limits CHROs

Why would this be so? Last year I addressed why HR often falls short in both C-Suite influence and impact in a post "HR - I Don't Get No Respect!" I think the reasons listed still hold true. Without including all of the detail, here are the core reasons I believe many CHROs fail to be taken as seriously as they could:

- **Process rather than outcome focus.** We concentrate on the execution of our HR processes with little linking of our actions to the business plan.
- **Ignorant of the numbers.** HR professionals don't understand financial metrics that drive the operational departments.
- **Siloed from line operations.** There is a disconnect between the concerns of the line managers and what HR does.
- **Cannot quantify contribution to the bottom line or demonstrate ownership of operational business plans and objectives.** HR concentrates on sourcing talent and keeping it satisfied, but cannot quantify how benefit structure, compensation, performance management help drive the business plan.

- **Limited view of what HR can and should be doing.** We self limit HR by a restrictive view of our role. We define HR by the traditional HR functions rather than using an expanded definition.

## Increased Collaboration

The Covid-19 pandemic has already impacted many traditional work environments and settings. This will continue and accelerate in the future. I have addressed this in other posts. Have these changes altered the perception of HR or expanded the role it plays in the organization?

The jury is still out but there is evidence that the increased anxiety of staff, personal safety, issues, altered work sites/arrangements have increased the influence of HR. However, it seems to be primarily focused on dealing with pandemic-related employment issues. These include employee stress, safety concerns, work-at-home arrangements, etc. As the threat subsides or we normalize dealing with it, these issues will also be less of a priority.

There is also evidence of more collaboration between the CFO and CHRO. The Alliance Resource Group quotes a study by DDI, the Conference Board, and EY that is good and bad news for CHROs. It reports that CEOs generally relied upon their CFOs for critical strategy (not the CHROs) and 11% saw their CHROs as reactive rather than proactive. The good news was that 80% of the CFOs and CHROs felt that their relationship was more collaborative than in the past.

This collaboration is good, but you notice it was based upon the *perceptions* or *feelings* of the CHRO and CFO. In my opinion, HR must take steps to earn increased respect by delivering results. In fact, I believe that the CHRO position should be modeled on the CFO position and be on an equal footing with the CFO. Different, but equal. Make sense?

## CHRO vs. CFO

If we take a look at the responsibilities of each, a simple definition is that the CFO is responsible for the finances of the organization and the CHRO is responsible for the people of the organization. Since the employees are the biggest operating expense, execute the delivery of all services, define the mission by their

performance, it would logically seem that the CHRO position should have the same impact, respect, and power as the CFO.

In the real healthcare world, this is not true. Why? We can look at some reasons by comparing how each approaches their job.

The CFO will take responsibility for all income and expense streams and the management of all physical assets. S/he will be responsible for pricing of all services, maximizing income, billing, collections, contract negotiations, budgeting, expense management, metrics, etc. Even though income is being generated and expenses being incurred by departments throughout the organization, the CFO owns the systems that track both. S/he is on top of revenue coming in and going out. Controls are in place to see that the financial goals of the organization are met.

On the other hand, the CHRO often “self-limits” the scope and influence of the position. S/he focuses on the execution of the HR functions of recruitment, benefits, compensation, employee relations, and training. It is notable what the CHRO chooses to ignore that would seem to fall under the “people” function.

Does the CHRO have metrics and controls that address the utilization of human capital that are similar to those used by the CFO to address the utilization of the CFO? Does the CHRO have systems to maximize the productive use of the human resources? You can bet the CFO has systems to maximize the productive use of the finances. Does the CHRO “own” the productivity measurement system of the organization? The CFO owns the processes used to measure all things financial whether income or expense.

The WEF (World Economic Forum) states that *productivity improvement* will be the primary focus of all businesses at least through 2026. If it is critical in all industries, imagine how much more so it is in healthcare that is a people-intensive industry.

Productivity measurement and improvement is absolutely related to the “people” function. If the CHRO doesn’t own and manage this, then who should? In fact, the post, “Why Productivity Management Program Belongs in HR” makes the case for HR owning this process.

**Productivity management and improvement is so critical to the healthcare**

industry that I believe this is the #1 way to increase the CHRO influence and impact. The CHRO should approach the management and utilization of human resources the same way the CFO approaches the management and utilization of financial resources.

## 5 Critical Steps

Here are some additional steps that should be taken to put the CHRO role on an equal footing with the CFO:

1. **Utilize an expanded definition of “human resources” rather than limiting the definition to the traditional functions.** Assume responsibility for the management and utilization of human resources throughout the organization.
2. **Be knowledgeable of the organization’s metrics and be able to quantify how HR impacts them with real world results.**
3. **Focus on productivity and provide the skills and toolkit that managers need to improve work design and flow.**
4. **Link compensation, rewards, and recognition strategies directly to operational performance and achievement of business goals.**
5. **Demonstrate a bottom line focus. HR should be a critical driver in achieving maximum results with minimum cost in the utilization of human resources.** Establish necessary monitoring and control mechanisms to improve profitability, quality, and satisfaction.

The CHRO position can be more than it has been in most organizations. This can happen when the CHRO embraces an expanded role for HR—one that directly assists how the human resources are managed and utilized.