



C-Suite Influence: HR's Greatest Challenge...and Opportunity

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Make sure to join Frank DiBernardino on October 8th at 11am ET for our **Book Discussion web cast**, as he discusses his new book, **Optimize Human Capital Investments: Make The "Hard" Business Case**.

"The key to successful leadership is influence, not authority."
Ken Blanchard, "The One Minute Manager"

Influence in the C-suite, or lack thereof, has been a long-standing challenge for HR leaders. In too many companies, Chief Human Resource Officers (CHROs) have wielded less influence in business decisions than the challenges their organizations require. That can change, and the people with the most power to affect that change are the CHROs themselves.

To achieve maximum influence in the C-suite, CHROs must provide compelling, business-relevant information and insights that can contribute to their organization's success. Unfortunately, all too often they simply do not do this. According to The Conference Board report, [The State of Human Capital 2012: False Summit](#), HR has the following challenges:

- A lack of capability – Human capital professionals are still unable to confidently and assertively solve business issues in conjunction with line leaders and thereby define the subsequent human capital implications.

- A support function mindset – Human capital staff continue to have a support-function mindset, a low tolerance for risk, and a limited sense of strategic “authorship.”
- An inability to relate the ROI or business impact of their function – The difficulty many human capital professionals experience in talking the business language of ROI prevents them from gaining buy-in for innovation, no matter how much it is needed.

An Approach to Maximize CHRO Influence

Knowing that influence follows usefulness, what can a CHRO do to effectively respond to the above challenges, and help advance the business strategy and financial success of its organization? Here is an approach:

1. Walk in the CEO’s shoes. CEOs are evaluated by the continuous, measurable improvement of business results and shareholder value. So, in any context, the CHRO’s challenge will be to show a direct link between human capital strategy, or proposed changes in strategy, and continuous improvement in business results; the so-called “business case.”
2. Assume responsibility for and authority over human capital financial performance. Just as the CFO has responsibility for financial capital, a CHRO can assume responsibility for the company’s human capital (not just the HR department budget). Begin by isolating the amount of money the company spends on human capital, consisting of:
 - employee costs (salaries, benefits & payroll taxes),
 - costs in support of employees, and
 - costs in lieu of employees.

This information is readily available from a company’s financial system.

Knowing how much a CHROs company spends on human capital enables the CHRO to measure the business value driven by human capital (in contrast to financial capital), and establishes the extent of the investment over which the CHRO will have influence. The CHRO will likely find, as with most companies, that the company spends more on human capital than financial capital.

3. Measure the financial results of the human capital investment. Once the extent of the financial resources spent on human capital has been identified, measure the financial performance. As explained in the blog, [It’s the Human Capital ROI Stupid](#), the key financial metric is human capital ROI. Productivity is another key financial metric.

Formulas for human capital ROI and productivity can be found in these two blogs below:

[It’s Human Capital ROI, Stupid](#)

[Productivity: Normalizing for Different Business Models](#)

4. Manage to the numbers. By tracking and “owning” key performance indicators such as human capital ROI and productivity, over time and across business units, a CHRO can

pinpoint the major drivers of the results and recommend changes in human capital strategy, consistent with and in furtherance of the business strategy, to improve business performance and shareholder value.

These four steps will effectively address the three challenges identified in The Conference Board report: [The State of Human Capital 2012: False Summit](#) can forever change a CHRO's influence in the C-suite and the boardroom.

John Chambers, CEO of Cisco Systems said, "I expect HR to act like an ROI department." Following the path described above will meet the John Chambers challenge and demonstrate how the strategic use of the money spent on human capital drives shareholder value and a sustainable competitive advantage.

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