



# The Chief Energy Creator

The critical role a CHRO plays in a full-potential transformation

By **Patrick Litre and Ivan Hindshaw**

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When Amgen launched an effort to transform its performance in 2013, the company braced for a rough ride. Most people, after all, view transformation as corporate code for layoffs and cost cutting—a way for management to impose its will on the organization. Decisions tend to come down from on high with little real input from below. Sometimes the change is good, but it is always disruptive and unsettling. The whole process tends to be a massive energy burn.

In Amgen's case, it didn't turn out that way. From the beginning, CEO Bob Bradway committed himself to making sure the transformation generated more energy than it consumed. He quickly empowered Brian McNamee, the biotech company's chief human resources officer (CHRO), to find a way to involve the entire organization in designing and implementing the change effort. McNamee helped top executives cocreate a clear vision for change and coached them to engage with a skeptical organization. He led the selection of a broad swath of promising up-and-coming managers and challenged them to both design and implement pieces of the transformation.

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Yes, there were layoffs and other tough cost-cutting decisions—Amgen certainly faced its share of difficult choices—but because the company's leaders had gone

to great lengths to articulate their rationale and include key opinion leaders in decision making, the company recovered from the shock quickly. As Amgen's best and brightest began to show what success could look like, their colleagues naturally bought in. The level of employee engagement bounced back, and the company moved forward.

Transformation is one of those overused words in business that can mean almost anything—from a quick-and-dirty restructuring to a full-scale corporate rescue. We define it in the most literal sense: a cross-functional effort to alter the financial, operational and strategic trajectory of the business, with a stated goal of producing game-changing results. That often begins with rediscovering the company's values and rewiring behaviors. It means developing new capabilities, tearing up processes and reshaping organizational structures or decision rights. Change of this magnitude typically amounts to a long, arduous journey that challenges the organization from top to bottom to break old habits and thrive amid heavy ambiguity and turbulence. Yet, managed effectively, it can rewrite the company's future and define a leadership team's legacy.

Too often, however, these efforts stall before they can gain any traction. In our experience, one common source of failure is the absence of a proactive and empowered CHRO, who can infuse the effort with a deep understanding of how people respond to change—both positively and negatively. Many leadership teams pour their energy into devising a bold vision for the transformation but underinvest in creating alignment and engagement deep within the organization. A strong CHRO can right the balance by providing critical input around talent, capabilities and culture that will shape a strategy that has a better chance of taking root.

The most effective CHROs actually generate energy for the transformation by helping implement change at three levels of the organization:

The Chief Energy Creator

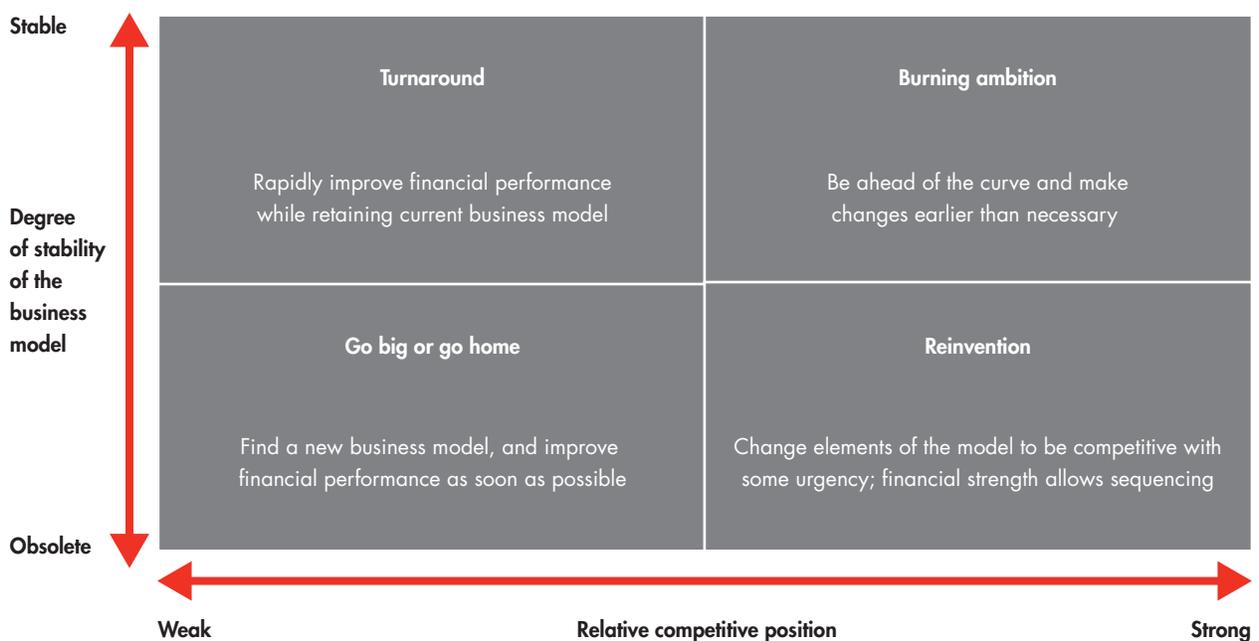
- At the top, they become the essential truth teller by coaching the CEO and leadership team to align tightly around a clear strategic vision and rise to a new level of engagement with the organization. They also play a critical role in helping the CEO pick the right team and in shaping the new operating model that will serve as a bridge between strategy and execution.
- In the middle, they mobilize momentum for change by identifying the next generation of potential leaders and accelerating their development. They challenge these up-and-comers to lead crucial pieces of the transformation and evangelize change among peers.
- At the front line, they embed lasting change with a clear, practical approach to invigorating the culture and changing old habits. This involves engaging frontline leaders to cocreate an essential new set of

high-performance behaviors while eliminating those that have sapped energy in the past.

How the CHRO balances these responsibilities will vary by company and situation. We've identified four broad categories of transformation based on the stability of a company's business model and the strength of its competitive position (see Figure 1). The weaker a company is, the more urgent the need for change will be, meaning the CHRO's priorities and challenges will have to shift accordingly.

But for any transformation to succeed, the CHRO must become immersed in the effort, forging a strong partnership with the chief transformation officer and devoting at least half of his or her time to enacting change at each level of the organization. At the same time, the CHRO has to take care of business at home. Since HR is often a prime target for cost cutting and reorganization, these executives must also role model

Figure 1: The choreography of transformation varies depending on a company's unique situation



Source: Bain & Company

change by acting swiftly and decisively. This dual challenge presents a stiff test. But it can be a career-defining opportunity for a strong, ambitious executive.

## A frank voice for change at the top

The success of any change effort, large or small, requires people aligning around a clear, compelling vision. And in many cases, creating that vision quickly leads to the conclusion that the company needs new executive talent or a new operating model to best translate strategy into action. A strong CHRO has a critical role to play across each of these dimensions.

What may constitute alignment in normal times is rarely sufficient in the midst of a true transformation. Big-ticket change inevitably disrupts lives and creates anxiety, consuming large quantities of emotional and physical energy. In our experience, leaders tend to assume that the management style that worked in more stable times will work just as well as the company struggles to transform. They often fail to anticipate and plan for the reactions of those who will feel the impact most.

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That's why the CHRO's truth-teller role is especially critical. The most effective CHROs have spent their careers running talent-development programs, coaching C-suite colleagues and helping people navigate change. They understand that during periods of deep uncertainty,

leaders need to engage with the organization differently. Early in the process, they help the CEO diagnose who on the team is best suited to carry forward the change effort and who must be replaced. They then encourage the top leadership team to identify where the biggest risk of disruption lies (both in terms of likelihood and impact) and how to mitigate it most effectively with a variety of tools and management support.

In many ways, forging alignment is much easier when a company is in obvious trouble and the need for change is clear. The trade-off is that management has fewer options. The earlier a transformation begins, the more time and flexibility the company has to make adjustments. But for the CHRO, building a deeper level of alignment without the benefit of a burning platform presents a stiff challenge.

It often starts with coaching the CEO to alter his or her natural style to release some level of control and adopt a significantly more inclusive posture toward direct reports. This calls for a special relationship with the boss. For example, Sandy Ogg, who has worked directly with many CEOs in his role as an HR director for various multinationals, said he once told an incoming CEO that he was happy to stay and work with him as long as both could abide the "100% rule": Ogg would give 100% of his energy to the transformation but only if he could tell the CEO the truth about his performance 100% of the time. "I'll never embarrass you in a public setting, and I won't come with drivel," Ogg explained. "But if it's meaningful, you'll know about it. And it may sting from time to time."

Brokering better alignment at the executive level requires skill in creating space for the senior team to work together openly and honestly to forge the vision and paint the clearest picture possible of what the change should look like when it's finished. Encouraging the CEO to cocreate the vision with his or her team, which often requires a series of facilitated workshops, promotes

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## The Chief Energy Creator

buy-in at the highest level and helps senior executives both adjust to a new reality and plan for how to help their own teams adjust. It is also critical for the CHRO to reflect back to team members how their posture toward the organization is supporting or defeating their agenda. How well, for instance, is the team communicating its vision in a way that will be heard and believed?

This deep understanding of how people interact within organizations is why CEOs often call on a strong CHRO to lead changes to the operating model. Very often a new strategic vision requires reshaping the organization to deliver on new priorities and objectives. That may trigger a long list of disruptive changes, from emphasizing new capabilities and roles to shifting power relationships and decision rights. The CHRO has to manage this process and answer key questions about talent:

- How are we going to get this done with the people and capabilities we have now?
- What new talent do we need to acquire?
- How can we match the best people to the biggest jobs to make sure this effort can succeed?

He or she also plays a key role in shaping an operating model that can encourage the kinds of new organizational behaviors that make the transformation stick over the long term.

### **Mobilizing momentum in the middle**

At the next level of the organization, the CHRO plays a central role in diagnosing how talent and capabilities line up with top management's new vision for the future. If a company is in real trouble, the top priority may be using the transformation to add the critical new capabilities that will improve the company's financial position and competitiveness. But with the luxury of time, a strong CHRO can create energy for the change effort by mobilizing the cadre of talented managers in the middle

of the organization who have been biding their time in line jobs, hoping for a chance to prove themselves. Amgen's McNamee calls them his "precious eggs."

Typically, the CHRO has already been grooming these go-getters as the company's next generation of executive talent. In the context of a transformation, they become especially valuable for two reasons: Most are ready and eager to execute key pieces of the strategy. And as they succeed, they will become the effort's most enthusiastic champions, evangelizing change among their peers and demonstrating that transformation can be more of an opportunity than a threat.

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From a development perspective, it would be a waste not to deploy these ambitious managers during the transformation. Participating in the change effort constitutes the ultimate leadership pressure test. These jobs present high-stakes management challenges that matter deeply to the future of the corporation. Not only do they pose problems that leaders rarely encounter in the normal course of business but they also offer direct contact with the CEO and the CEO's team. They teach leaders to sell their agenda laterally and to "influence up" to get their share of scarce resources. They expose people from one side of the company to a new set of experiences on the other. In fact, it would be hard to

simulate a more complete test of management skills. Success can set a career on a whole new trajectory.

One of the most complex challenges Amgen faced in its transformation was creating a new operating model. Bradway, the CEO, wanted to expand the company's global footprint aggressively and launch an unprecedented number of new drugs. But the operating model that had supported the previous 20 years of growth was becoming an obstacle to executing on the new vision. To handle this delicate transition, the company elevated Stuart Tross, the human resources vice president responsible for Amgen's research and development organization. His analytical rigor, facilitative style, and impeccable credibility made him a perfect fit for the job.

When he got the call, however, Tross wasn't sure what to think. R&D is at the core of what a biotech company does, and investing most of his time into a full-time transformation role seemed risky. With Bradway's encouragement, however, he took the leap and eventually led some of the company's most profoundly transformative changes—initiatives involving structure, governance, accountabilities and culture. His success also earned him a spot in the C-suite. When the CHRO position opened up, Stuart became the natural candidate to “operationalize” the new model, and was promoted to senior VP of HR.

Matching these critical value-creation jobs to the most talented people isn't a static process. Young leaders may rotate into and out of several jobs over the course of a multiyear transformation to maximize professional development, accelerate career progression and solve the problems that most need to be solved. This tends to create a network effect as managers from different sides of the company get to know each other, sharing ideas and experiences. The cross-pollination keeps the team motivated, which ultimately creates a bias toward action and real momentum for the transformation. If the leadership team has picked the right people, they already enjoy a high level of credibility and influence

within their part of the organization, and as they succeed, they become living, breathing representations of how the strategy can create opportunity and a new sense of mission.

## Embedding change at the foundation

The best CHROs recognize that aligning leadership at the top and middle of the organization is only part of the battle. Making change stick requires changing the culture—or, more specifically, changing behaviors among the rank and file, especially at the front line. In turnaround situations, the fix may require a complete cultural overhaul. But any company trying to move to the next level of performance likely needs to translate strategy into a new set of high-performance behaviors.

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Most definitions of culture involve three components: the company's mission; a set of statements about values and beliefs; and the actual behaviors that bring these aspirations to life. The first two are clearly important. But too often, companies resort to sloganeering when trying to change behaviors, printing the mission on a T-shirt or coffee mug and hoping the message will grab hold. A strong CHRO recognizes that slogans don't change how people think and act. Lasting change requires an intentional effort rooted firmly in behavioral science to engage the front line in cocreating the critical

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## The Chief Energy Creator

new behaviors. The HR team then has to lead the effort to put those behaviors in place within a context that teaches, reinforces and rewards them.

One challenge is to separate what to keep and what to let go. While a transformation will always call for an elimination of the negative or ineffective behaviors that develop over time, it is equally crucial to reinforce the essential positive behaviors that are part of the company's heritage and a source of its unique proposition with customers.

It is a complex, sometimes uncomfortable business, which requires equipping leaders throughout the organization with a new set of skills and management tools. The CHRO is uniquely positioned to champion the effort and it becomes critical that he or she raise it to the top of the leadership team's agenda.

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To remain credible as a change agent, the CHRO has to offer flawless support to other functions such as finance, legal or operations as they cut costs and learn new behaviors. But he or she also has to step up as a role model for success when it comes to moving fast and decisively.

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When a large European life sciences company acquired a US leader in a new technology, for instance, a key challenge was meshing the two cultures. The CHRO conducted a detailed diagnostic, and the results were unsettling: The organizations had very different approaches to decision making, risk taking and leadership. So the CHRO applied the latest behavioral science to identify and prioritize which employee behaviors were the most critical to retain, and she recruited supervisors to rein-

force them. But when sustaining these new behaviors with thousands of employees began to seem like an impossible task, she transformed her field HR team into a cadre of highly trained "change agents," who were charged with coaching the front line.

## Change begins at home

The most successful CHROs we've encountered emphasize that successfully managing through a transformation also means committing to making significant changes to the HR function itself. Transformation has a disproportionate impact on the CHRO's own team. Not only is HR on the hook to support every other unit of the company but it also tends to be singled out for cost cutting and restructuring. As a result, the CHRO faces the dual challenge of adding new skills in his or her own department to provide the coaching and other support that the transformation demands while simultaneously making tough restructuring choices.

To remain credible as a change agent, the CHRO has to offer flawless support to other functions such as finance, legal or operations as they cut costs and learn new behaviors. But he or she also has to step up as a role model for success when it comes to moving fast and decisively to improve performance at home. Success means committing to putting the imperatives of the transformation above all other priorities—it essentially becomes your job.

## Conclusion

The best CHROs are waiting for the opportunity to take this kind of leadership role. They welcome the challenge of figuring out how to succeed as the chief energy creator and relish testing their own mettle as executives and leaders. Success in shaping the transformation, of course, can also repay the bold executive in kind by transforming his or her career. Very often this opportunity to shine leads to new, broader roles—both inside and outside the company.

McNamee is a good example. After distinguishing himself during the first phase of Amgen's transformation, he won a promotion to chief transformation officer with broad responsibility for running Amgen's transformation office. The new position put him in a critical new operational role and set him up for a valuable new set of learning experiences. "Now I can't imagine my career without this experience," McNamee said. "It was a good reminder to always stay open to changes and never stop growing."

In many ways, that reminder is a good summation of the CHRO's challenge in a transformation. It is his or her role to ensure that the organization—from top to bottom—remains open to change so that it can grow toward its full potential. Too many companies ignore or shortchange this critical aspect of change management and then wonder why their painstakingly developed strategies don't stick. Transformation requires energy. The right CHRO has the experience and skill to create an abundance of it. 

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