

# C-SUITE EXPECTATIONS

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**Understanding C-Suite  
Roles Beyond the Core**





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# Introduction

Most board meetings include briefings from key members of senior management—typically a four-officer lineup paralleling the names at the top of the “named executive officers” in the company’s proxy statement. The prevalence of this set up is understandable. Most public companies have officers in charge of the executive, financial, operating, and legal functions. For the most part, corporate strategy and financial performance are at the heart of a director’s oversight responsibilities. Listening to the CEO and CFO typically satisfies those two informational needs. Company operation and compliance are also core; hence the frequent reports from the COO and general counsel. Historically, by being familiar with these four core positions, directors can usually locate the “soft spots,” or places in need of further development in each presentation.

Today’s business environment is rapidly changing and new technologies present both opportunities and challenges. In response, enterprises have become more complex, changing their structures and establishing new management positions to run operations. A study of recent proxy statements shows an increasing variety in the nomenclature used for the named executive officers.

Chief risk officers (CROs) are a good example. Unheard of 10 years ago, 28.4 percent of companies now have CROs.<sup>1</sup> Other positions, such as the chief ethics officer or chief corporate responsibility officer (CCRO), are now more regularly making presentations in the boardroom.

With more enterprise complexity, effective oversight requires a better understanding of these newer positions. What information should a board demand? What questions should a director ask? What are the critical responsibilities of these officers? We asked Boyden Global Executive Search, Corporate Responsibility Officers Association, EisnerAmper, the Ethics and Compliance Officer Association, Heidrick & Struggles, National Investor Relations Institute, Oliver Wyman, and the Society of Corporate Compliance and Ethics to provide insights and answers to these questions. By coalescing these responses, this white paper presents answers to these questions in the form of a primer on some of the new “chief” positions that are emerging in corporate America.

# Chief Audit Officer

## Introduction

The role of the chief audit officer (CAO), also called the chief audit executive, is in a continual state of evolution as internal and external influences affect the expectations of value the position of internal audit provides. This primer sets out the core function and expectations of a CAO in a large corporation. It also suggests how directors might interact with this individual in the context of periodic meetings.

## Position Description

### *Purpose and Scope*

The CAO is accountable for directing the internal audit function of the organization. CAOs are required to develop and execute a program that monitors compliance, financial reporting, and operational risks in an objective, diligent, and independent manner.

### *Responsibilities and Duties*

Core responsibilities of the CAO may include:

- Defining the overall control monitoring strategy and developing an internal audit program that is responsive to the enterprise risks.
- Developing an internal audit group that has the requisite skills, experience, and availability to complete the internal audit programs.
- Maintaining professional relationships with each business unit and process owner to ensure internal audit programs are complete and provide value to the constituents.
- Managing an efficient and effective internal audit organization that is responsive to a broad array of risks.
- Communicating internally to ensure cooperation and provide value to the board, management, and the business units.
- Reporting on internal audit results and follow-up plans.
- Leading the internal audit department.

### *Organizational Positioning*

The CAO typically reports operationally to the CFO and the CEO, and independently to the audit committee.

Increasingly, the CAO is a member of the executive management team and participates in risk management discussions. With the oversight of the board, it is the function of senior management to determine the relative enterprise risks of the organization. To remain objective and independent, the CAO will develop a plan to monitor the organization's responses to those risks and report on its effectiveness. This monitoring provides value not only to senior management and the board, but also to the individual business units and their management demonstrating that risks are being handled within the established limits. The CAO must interact frequently with business unit presidents and vice presidents to understand the needs of the business. Often, the CAO can provide valuable insights on operational efficiencies through their broad interaction with the entire organization.

To effectively carry out responsibilities, the CAO needs to develop a team that has experience in current compliance, financial reporting, and business operational issues. Increasingly, the team must also be versed in technology as it becomes more pervasive in each area of review. The CAO's team must remain cost effective, taking into consideration the broad disciplines, geography, and seasonality of the internal audit program.

The CAO's team should possess the skill sets and experience that allow them to be diplomatic and empathetic within the entire organization to ensure buy-in, cooperation, and timely and effective communication.

### *Evolution of the Role*

The role of the CAO has evolved over time to include operational effectiveness and efficiencies, financial reporting accuracy through effective internal controls, and compliance with rules and regulations. Several years ago, an emphasis was placed on financial reporting controls through Sarbanes-Oxley. While this remains a high priority, more recently compliance with Dodd-Frank, the Foreign Corrupt Practices Act (FCPA), and privacy rules have moved to prominence.

In order to ensure the effective completion of the program, the CAO has to work closely with leadership in each area to understand the development of enterprise risks and the control requirements.

## Information and Reporting Expectations

The board of directors might expect the CAO to provide certain information in discussions and reports:

- The risks and priorities as identified by management.
- An overview of developing roles and responsibilities of internal audit across departments.
- An internal audit plan that includes several elements:
  - Planned audits based on risks identified by management.
  - Staffing and coordination of internal audit skill sets for the audit plan.
  - Anticipated reporting dates of findings.
  - Follow-up plans for prior findings and modifications to the internal audit plan due to emerging issues.
- The internal audit plan, including staffing and timing, to monitor the effectiveness of controls and management over those risks.
- Emerging issues in each area of review, such as new financial reporting requirements and emerging compliance matters.
- Metrics on the cost effectiveness and results of the CAO's department.

## Questioning the CAO

Directors might wish to question the CAO on various topics:

- State of the CAO's organizational preparedness.
- Sourcing skill sets in financial reporting, operations, and compliance.
- Ways in which internal and external emerging issues will be considered in the ongoing program.
- Ability to keep pace with technological innovations impacting the business.
- Efficiencies and effectiveness of the internal audit organization, including abilities to execute the program and report in a timely manner.



## Questions for Directors to Ask Themselves About the CAO

Directors might also wish to ask themselves certain questions concerning various issues:

- How best to keep communications open with the CAO.
- How to remove undue influences to ensure that the CAO remains objective, diligent, and independent.
- How to ensure that the CAO, as a resource that reports directly to the board, can continue to provide unbiased advice on enterprise risks and emerging issues.

# Chief Corporate Responsibility Officer

## Introduction

The chief corporate responsibility officer (CCRO) is an ambassador and strategist who reports at the highest levels in the business and serves as steward/champion across the entire corporate responsibility (CR) landscape.

## Position Description

### *Purpose and Scope*

The CCRO is charged with driving commitment to CR within the company and across the company's external stakeholders. This role uniquely represents the interdependency between a flourishing business, a thriving and trusting community, and a sustainable environment, practicing in the space beyond compliance, recognizing that "legal" does not in itself define "good."

These other titles may serve as the CCRO (in organizations that do not have a CCRO title) or they may report up to the CCRO:

- vice president, CR;
- director, CR communications;
- director, foundation/philanthropy;
- director, CR procurement strategy;
- director, environment, health, and safety; and
- director, sustainability.

### *Responsibilities and Duties*

Core responsibilities of the CCRO are outlined below:

- Strategy: lead development of an overarching CR approach directly related to the company's long-term business plans.

- Thought leadership: broaden and raise the company’s understanding of what society, customers, employees, investors, and other stakeholders expect.
- Advocacy: speak out on behalf of the company’s CR goals and accomplishments.
- Policies and programs: drive the development and execution of guiding principles and initiatives for the company’s CR programs.
- Goals and measurement: develop appropriate targets and ways of assessing progress to drive and evaluate the company’s performance on CR.
- Reporting: determine how the company will internally and externally express progress toward accomplishing its CR goals and respond to society’s increasing demand for greater transparency.
- Stakeholder engagement: build constructive alliances and coalitions with key constituency groups.
- Risk management: identify risks and opportunities based on stakeholder expectations and design proactive mitigation and response strategies.
- Fiscal oversight: through the CR strategic and operational planning process, develop an understanding of the fiscal impact of the company’s goals and priorities in this area.

### *Organizational Positioning*

According to research, the lead CR role most often reports to the CEO (43% of the time).<sup>2</sup> Beyond that point, however, reporting is widely spread across the organization as the following table indicates.

CCRO reports to:	Reporting %
CEO	43%
Board of directors	13%
Legal lead	8%
Marketing and communications lead	6%
Corporate responsibility lead	5%
Human resources lead	5%

Note: Reporting is below 5 percent for these roles: public affairs lead (4%); operations lead (3%); strategy and planning lead (3%); sustainability and environment lead (2%); finance lead (2%); investor relations lead (2%); governance and compliance lead (1%); education and research lead (1%); environment, health, and safety lead (1%); and information technology (IT) lead (1%).

There are a broad range of organizational styles for a CR team, but most critical is where they fit on the spectrum of centralization. The structure will depend on the maturity of CR in an organization, on the issues faced, on the organizational style and culture, and on the personalities involved. To illustrate, on one end of the spectrum is the fully centralized organization, where all roles considered part of the CR portfolio report directly to the CCRO. On the opposite end, the decentralized model, the CR duties are positioned in the lines of business. The CCRO has limited management control, but through influence and encouragement, some impact is possible.

### *Evolution of the Role*

In many cases, the CR role was created to respond to a crisis. As such, wherever the crisis originated was generally where the CR role was focused. These issues were generally industry-specific; for example, the retail industry tended to be more focused on human rights issues given differing labor practices around the world, and heavy industry on environmental issues given their impact on the environment.

Today, some see the CR position rising to respond to recent events, but phasing out as a formal function once it is “embedded” throughout decision-making processes, similar to how e-commerce officers sprung up at the beginning of the Internet boom and then faded away. The overwhelming consensus among CCROs interviewed for a recent Corporate Responsibility Officers Association (CROA) study,<sup>3</sup> however, was that the CCRO would follow a path more like that of the CFO: while finance is embedded in decision making at all levels of the company, a formal officer and function persists.

## Information and Reporting Expectations

The board of directors might expect the following information from the CCRO:

- A clear and detailed overview of the CR landscape, including risks, opportunities, and the most material CR issues and challenges the company faces.
- Educated perspectives and advice on the business impacts of specific CR-related events and activities.
- Systematic structure and plan for reporting on CR issues on an ongoing basis to a broad list of stakeholders, including customers, investors, employees, board members, the public, and government organizations.
- Complete and industry-appropriate CR report.
- Information on trends in CR, as well as a longer term strategic view of CR risks and opportunities.
- Reports on key CR planning and implementation issues and effectiveness.

- Innovative and creative strategies to embed CR into business activities.
- The engagement of the CCRO in the strategic planning process; the potential risks and opportunities resulting from strategic plans and how they can aid in those plans.
- The areas in the business where financial interests conflict with the interests of society and/or the environment.

## Questioning the CCRO

Directors might wish to question the CCRO on the following topics:

- The level of the organization's reporting transparency, particularly in comparison with competitors.
- The completeness and relevance of strategies for addressing key CR issues.
- Clear enunciation of how the organization is prepared to manage risk—whether the CCRO is aware of issues that should be of concern to the organization.
- Ways in which the board should engage with the CR process.
- Whether the CCRO has the data he/she needs to manage risk and advise the board on how to balance business decisions with socioeconomic impact and, if he/she has the ability to communicate those decisions.
- The adequacy of the current CR and governance structure and how it might be improved.
- The quality of the company's CR strategy and response plans.
- Whether the objectives of the organization's CR function are in alignment with what the stakeholders would expect or desire (i.e., does the CR focus match the shareholders' interests?).
- Where the company stands from a CR perspective in comparison to competitors and to benchmark enterprises.

## Questioning the CEO on the CCRO's Reports

Directors might wish to question the CEO on the following CR-related topics:

- The effectiveness of the integration of CR strategy into business processes, as well as business and investment decision making.
- The quality of CR culture across the business units and the supporting evidence.
- The ability of all employees to articulate the organization's key CR values at all levels and across all geographies.
- The CEO's views on how CR activities can best be
  - integrated into ongoing business activities,
  - clearly and regularly communicated to all stakeholders, including customers, investors, employees, directors, the public, and government organizations.
- Any shift(s) in business models that the organization should consider in an effort to make the business more restorative.

# Chief Ethics Officer

## Introduction

The position ensures that the board of directors, management, and employees comply with the rules and regulations of regulatory agencies, and company policies and procedures. The chief ethics officer also provides guidance for the board and senior management on matters relating to ethics.

## Position Description

### *Purpose and Scope*

The primary responsibilities of the chief ethics officer include helping to determine the key corporate values of the company, assimilating those values into a corporate code of ethics, and developing training programs to ensure employees are familiar with and able to support the company's ethics goals. Further responsibilities include investigating reports of unethical activity, creating a system for reporting ethics breaches, and making periodic reports to executives and the board on the state of corporate ethical affairs.

### *Responsibilities and Duties*

Core responsibilities of the chief ethics officer, supported by the appropriate committees, may include the following:

- Developing and maintaining policies and procedures for the general operation of the ethics program, including standards of ethical conduct and related activities.
- Overseeing the ongoing operation of the ethics program.
- Collaborating with other departments to ensure that there are reasonable and appropriate channels for reporting, investigating, and resolving ethical issues.
- Responding to alleged violations of rules, regulations, policies, procedures, and standards of ethical conduct.
- Identifying potential areas of vulnerability and risk and developing plans for resolution; providing guidance on how to avoid similar situations in the future.
- Regularly reporting to executives and board members on the operation and progress of compliance efforts.

- Developing and maintaining an ethics communication program for the organization, including ethics/compliance, awareness of standards of ethical conduct, and understanding of new and existing ethics issues.
- Working with the human resources (HR) department and others as appropriate to develop a corporate ethics training program.

### *Organizational Positioning*

Across all companies, chief ethics officers report up through a variety of areas, including the office of the general counsel, the CEO, or even the CFO or chief human resources officer (CHRO).

Changes, however, to the U.S. Sentencing Guidelines—the document that has been the driver of compliance programs for years—that took place late in 2010, have elevated the importance of the ethics/compliance officer and have triggered a call for a reassessment of the role. Under these provisions, even if senior executives are involved in the wrongdoing, organizations may now receive a reduction in fines and other penalties if “individuals with operational responsibility for the compliance and ethics program [must] have direct reporting obligations to the organization’s governing authority or appropriate subgroup thereof.”<sup>4</sup>

Given these amendments, companies should at least consider having their chief ethics/compliance officer report to the audit committee and/or board of directors.

### *Evolution of the Role*

Recent years have seen the growth of new C-suite level compliance roles as the government has imposed new compliance programs and corporations have been involved in very public compliance/ethics meltdowns. Prior to those changes, compliance officers generally were found only in highly regulated industries. Today, the position is more common.

Even more recently, the increase in criminal prosecutions and civil enforcement action by government agencies has generated the need for corporations to add or incorporate ethics into these positions. This is completed either by adding ethics to the chief compliance officer’s responsibilities via a chief compliance and ethics officer position, or by implementing a separate chief ethics officer role.

And finally, more recently some organizations have split the roles from one another, focusing the chief compliance officer on compliance with rules and regulations, while the chief ethics officer addresses company values.



## Information and Reporting Expectations

The board of directors might expect the following information from the chief ethics officer:

- A complete and regularly updated code of ethical behavior customized to the corporation's specific needs, but also inclusive of recent internal and external trends and events.
- Updates on recently reported violations, resulting responses and activities, and plans to ensure violations decline over time.
- Information on internal and external ethics trends and plans to mitigate potential risks.
- Reports on ongoing training on ethical behavior customized to specific corporate subsets (new employees, managers, recently merged/acquired organizations, etc.).

## Questioning the Chief Ethics Officer

Directors might wish to question the chief ethics officer on the following topics:

- The adequacy and quality of the current code of ethical behavior, training, and reporting/hotline programs in maintaining the highest level of ethical behavior.
- How the code of ethical behavior, as well as programs built to support it, might be improved.
- How well top executives are engaged in personally modeling desired ethical behaviors.
- Examples of how the chief ethics officer is proactively engaged in risk assessment, training, and counseling around ethics issues.
- How well the chief ethics officer is customizing programs to address the needs of distinct subsets of the corporation (new employees, managers, recently merged/acquired organizations, etc.).

## Questioning the CEO on the Chief Ethics Officer's Reports

Directors might wish to question the CEO on the following ethics-related topics:

- The effectiveness of the integration of ethics into the business and business decision making.
- The quality of ethics culture across the business units and the supporting evidence.
- The ability of all employees to articulate the organization's key values, at all levels and across all geographies.
- The CEO's views on how ethics activities can best be
  - integrated into ongoing business activities; and
  - clearly and regularly communicated to all stakeholders.
- Examples of how the CEO is engaged in ongoing evaluation of the ethics program.
- Examples of how the CEO is building ethics requirements into his/her staff's objectives.
- Examples of how the CEO is modeling ethical behaviors.

## Questions for Directors to Ask Themselves About the Chief Ethics Officer

Directors might also wish to ask themselves about these topics:

- Their familiarity with the organization's code of ethical behavior.
- How well the directors are modeling ethical behavior.
- The adequacy of the ethics information that they are receiving and its value in supporting major decisions.
- The clarity of the company's understanding of its key values at all levels of the organization and across all geographies.
- The roles the board can play and the additional "value add" that the board can provide with regard to ethical behavior.
- The integration of the company's ethical values into decision making.

# Chief Human Resources Officer

## Introduction

The role of the chief human resources officer (CHRO) is to serve as a member of the executive team with key responsibilities of linking the “people strategy” to the business strategy, and developing and driving human capital programs and processes that both align with the overall objectives of the business and to ensure regulatory compliance. As a part of the leadership team and a named executive officer, the CHRO can be expected to have a broad business background and to be knowledgeable about the company’s governance, strategy, operations, finance, sales/marketing, and products/services.

## Position Description

### *Purpose and Scope*

With the charge of making sure that all levels of the organization have the required talent for the short and long term to support the business, the CHRO develops and leads an end-to-end talent architecture including: talent acquisition and recruitment, diversity and inclusion, training, leadership development, employee relations, performance management and evaluations, total rewards and executive compensation, organizational development, HR analytics and information systems, and even succession planning. In addition, the CHRO often serves as a trusted advisor to the CEO and the executive leadership team while overseeing a generalist team that provides similar support to divisional or other functional parts of the company. Depending on the needs of the company, the CHRO can also oversee internal communications, corporate social responsibility, and/or payroll, and actively participate in due diligence in any mergers, acquisitions, or other significant corporate events.

The CHRO works closely with the compensation committee of the board and its advisors on compensation philosophy, executive compensation, and incentive and equity compensation with emphasis on pay for performance. There may be times that the CHRO, along with other executives, will interface with the audit committee on other aspects of compliance, ethics, and/or risk issues, and with the nominating/governance committee on succession discussions.

## *Responsibilities and Duties*

Core responsibilities of the CHRO may include the following items:

- Developing the human capital strategies, philosophies, and programs enabling the execution of the business strategy through human capital, and serving as chief architect of the employment brand.
- Driving cultural change as initiatives needed to ensure workforce alignment, engagement, and retention.
- Building highly efficient HR processes, systems, and infrastructure.
- Ensuring legal and regulatory compliance in all aspects of the organization's employee policies, compensation (pay for performance) programs, health, welfare and retirement plans, and employee and workforce actions. In some cases, the CHRO works in tandem with an independent ombudsman who can listen confidentially to employee concerns about sensitive matters and direct employees to the appropriate channel for further action if necessary.<sup>5</sup>
- Assessing, monitoring, developing plans for, and addressing all aspects of people-related risk, in partnership with the corporate counsel and the CRO.
- Advising and consulting with the CEO, the board, and senior leadership on the impacts and implications of business strategy on human capital.
- Ensuring a robust and rigorous succession planning process is in place and actively managed by the CEO and executive team.
- Supporting the board as needed with CEO (and board) selection and evaluation processes, providing leadership to the establishment, and overseeing compensation programs, including executive compensation arrangements.
- Providing leadership, development, and oversight to the HR department, including generalists and specialists in the following functional areas:
  - Talent acquisition.
  - Diversity and inclusion.
  - Job and organizational design.
  - Total rewards.
  - Leadership development.
  - Learning.

- Performance management.
- Employee relations.
- HR analytics and information.

### *Organizational Positioning*

The CHRO typically reports to the CEO and is a member of the executive team and a peer of the CFO, the general counsel, and other functional leaders. While the ultimate responsibility for personnel success sits in the line management function, it is the CHRO's role to ensure that there are programs and practices in place that maximize the opportunity to attract, retain, develop, and reward the human capital required to drive business results in compliance with legal and governance requirements.

As the leader of the human resources function, the CHRO will typically have a team of technical experts in areas such as compensation, benefits, training, leadership development, organizational development, HR information systems, and operations. In addition, the HR executive will have a team of “generalists” who support and advise various functions or divisions of the business, ensuring a consistent implementation of practices and policies to support leaders and employees in driving business outcomes.

In some cases, the CHRO or senior executive managing the function might report to the COO, CFO, CAO, or general counsel rather than to the CEO. CHROs who report to the CEO indicate that they are more effective in this reporting structure, with other named executives as their peers.

### *Evolution of the Role*

The role of the CHRO has evolved over the recent decade. CEOs have increasingly recognized the importance of the human capital function as a critical lever in the success of the business. In the past, the CHRO was an administrative functionary focused on “personnel.” Today, top CHROs are key business partners in driving strategy, performance, accountability, culture, and change.

Talent management, executive compensation, and risk/ethics are at the forefront of the CHRO's agenda. Additionally, the rising costs of healthcare, regulatory changes, new technologies, and the challenges created by an increasingly global, multigenerational, and mobile workforce receive priority.

## Information and Reporting Expectations

In general and at a minimum, the board should expect information, metrics and performance data, competitive information process support, and guidance from

the CHRO. Mainly, this information allows the board to evaluate and appropriately compensate the CEO and ensure leadership succession, as well as to ensure its own effectiveness. Thus, the principal information provided is related to the following items:

- Executive compensation.
- Compensation discussion and analysis.
- Compensation program design and philosophy.
- Market data.
- Performance measures and results.
- Legal and regulatory compliance requirements.
- Succession planning.
- CEO and executive team competency requirements.
- Assessments of top talent including readiness levels.
- Development and identification plans for top talent including individual and organizational gap analysis.
- Workforce plan, talent management, and workplace environment.
- Assessment of workforce's capability and commitment to execute on business strategy.
- Environmental/code of conduct and legal risks.
- Productivity issues, gaps and opportunities, along with plans to address issues.
- Diversity and inclusion.
- Crisis management planning.

## Questioning the CHRO

Directors might wish to question the CHRO on the following topics (understanding that certain topics are reflective of judgment combined with objective metrics):

- CEO effectiveness: leadership and management style and the impact on the business, employee engagement, and productivity; needs or gaps requiring support or other action.

- Leadership team effectiveness: top team alignment around strategy and approach and how it impacts business momentum.
- Leadership succession: Are there internal successors (for the CEO role), and how would they be characterized in their depth and readiness for the top job?
  - What metrics, assessment measures, development processes, and programs are in place to ensure a succession plan for short-term emergencies?
  - What programs are in place to retain and train high potentials for future leadership opportunities?
  - What are the risks of the CEO departing and what are mitigating strategies? How does the CEO map to external talent?
- Succession plans for named executive officers: What are the risks of losing critical talent?
  - Are there internal successors in place and how are they measured?
  - What retention plans are in place?
  - What are their key motivators?
- Compensation—executive, short term, long term, equity parity: How does compensation philosophy, programs, and practices compare with direct and indirect competition for top talent?
  - What are the key retention vehicles for top talent?
  - What are the metrics around pay for performance and are they well aligned to the organization's objectives? (For the board—has the board determined and communicated key metrics and expectations of the CEO in order to have clear justification for rewards beyond contractual?)
- Retention issues beyond compensation—probing culture and employee engagement as indications of productivity.
- Benefits—managing costs of healthcare and understanding options.
  - Retirement programs and obligations and how they impact long-term financials.
  - What other perquisites are in place and do they align with overall culture and organizational values?
- People-related risks (global competition for technology talent, diversity,

reputational, technological, etc.), and the organization's readiness and plans to address them, reactively and proactively.

- Risks of unionization or other risks around union activities that might impede productivity or have a financial impact.
- Compliance issues around diversity and inclusion.
- Crisis management: Is the organization, from a personnel perspective, prepared to deal with crises, either environmental or other threats to the well-being of the employee population, and what are the risks/benefits to the corporation given potential crises.

## Questioning the CEO on the CHRO's Reports

Directors might wish to question the CEO on the following HR-related topics:

- The effectiveness of the HR function in assisting the business to develop and enact a consistent and business-focused talent strategy. Also, the effectiveness in procuring, engaging, and developing the human resources required by the business plan.
- Level of expertise in executive and other compensation design and strategy.
- The long-term financial impact of benefits design, including healthcare and retirement.
- The perception of the employment brand and employee value proposition, and organization's positioning to procure the needed talent for success.
- HR's credibility and reputation internally as a corporate function and as a business partner. Externally, as a repository of best practices.
- HR's effectiveness in designing and leading the succession planning processes of the company.
- The metrics used by HR to measure workforce effectiveness, productivity, and the value added to customers and the bottom line by the organization's human capital programs, as well as the metrics used to evaluate the operating effectiveness of the HR function itself.
- The level of other business, professional, and technical knowledge residing within the HR function to ensure its ability to adequately serve as advisors to the business, and quality of the development plans for the HR function.



# Chief Information Officer

## Introduction

The chief information officer (CIO) role is one of the most company-specific in the C-suite. The effective CIO plays a different role in different organizations, with varying levels of strategic involvement. For example, some organizations have a chief technology officer (CTO) as a separate role, while others consolidate both responsibilities under one individual.

## Position Description

### *Purpose and Scope*

The CIO is accountable for directing information, ensuring data integrity for the enterprise, and establishing a level of standardization and integration across different business units' IT functions. At a minimum, CIOs are required to control costs and maximize efficiencies, though responsibilities can range from these basics to defining the strategic direction of all information processing and communication systems for greater competitive advantage. Typically, the CIO works with other functions, business units, and committees to ensure that appropriate IT projects are developed and implemented.

### *Responsibilities and Duties*

Core responsibilities of the CIO, supported by appropriate committees, may include the following items:

- Defining the company's overall technology strategy and setting company-wide technology standards and policies that apply to all business units.
- Providing oversight and accountability for strategic initiatives, business-specific applications, and long-term IT performance.
- Developing and maintaining a comprehensive IT architecture that includes system integration and individual application architectures and standardizing the application development life cycle.
- Managing IT risk across the company, including conducting IT risk self-assessments, aggregating metrics, and executing mitigation strategies.
- Communicating internally to gain buy-in from business units, operations, and

finance, and externally with the industry to stay abreast of—and appropriately assimilate—leading IT practices.

- Reporting on IT operations and risk.
- Leading the IT department.

The CIO's responsibilities are distinct from those of the CTO and/or chief security officer (CSO), although in some instances all three functions are headed up in a single senior position.

### *Organizational Positioning*

The CIO typically reports to the CFO, though in a minority of companies the CIO reports directly to the CEO. In the former case, decisions regarding technology investments may ultimately be controlled by a CFO.

Increasingly, the CIO is a member of the executive management team and participates in strategic decision making. In order to do so, the CIO must interact frequently with business unit presidents and vice presidents to more thoroughly understand the needs of the business. The CIO also works closely with the CTO to identify emerging IT solutions that could be introduced to improve business performance.

In companies where CIOs are not peers of the executive management team, CIOs take on more of an operational function, where the goal is to maintain IT costs below the amount of sales volume supported while balancing technological and operational needs with financial and marketing needs. These CIOs view their role as providing “utility” services, maintaining stable operations, and serving internal customers. In addition, the CIO takes on responsibility for compliance with the company's security policies in conjunction with the CSO, which include but are not limited to compliance with Sarbanes-Oxley Section 404.

The CIO leads the IT department for the entire enterprise. In addition, the CIO also provides guidelines for IT functions in the business units.

### *Evolution of the Role*

The CIO is being given an increasingly greater strategic role. Companies must respond more quickly to changing conditions—analyzing and assimilating information to maintain or gain competitive advantage. CEOs are thus expecting innovative information solutions, both internal and external, from their CIOs.

CIOs are also required to focus more on cybersecurity than before, especially given the proliferation of personal electronic devices being brought into the workplace. Whereas

in the past companies were focused on cyberattacks from external sources, now IT interference and data misuse by internal colleagues is the growing concern.

## Information and Reporting Expectations

The board might expect the following information from the CIO with respect to a particular period (e.g., past year):

- A summary of major IT accomplishments and risks.
- An overview of IT industry innovations and assessment of appropriateness to introduce at the company.
- A report on IT planning and implementation effectiveness.
- Metrics on IT benefits, particularly productivity related, in order to ensure value is being added consistent with enterprise productivity goals.
- The alignment of IT investments with the company's financial tolerances and major business decisions.
- The IT infrastructure and enhancements—staff working groups or committees, IT platforms, etc.

## Questioning the CIO

Directors might wish to ask the CIO for views on the following topics:

- How to determine the strategic importance of proposed new IT initiatives to the business.
- How to evaluate the evolving IT capabilities of competitors.
- Method for allocating dollars across the portfolio of IT investments to ensure an efficient return on investment.
- Trade-offs being made in managing the IT portfolio.
- Challenges and solutions in implementing major IT programs.
- Key processes in place to protect the company from operational and security risks.

## Questioning the CEO on the CIO's Reports

Directors might wish to question the CEO on the following IT-related topics:

- The effectiveness of the integration of IT innovation with strategic planning to drive competitiveness.
- Which areas of the business—products, customer channels, business processes—are most susceptible to IT shocks.
- How the company compares to its peers relative to the IT function and the value it delivers.

# Chief Investor Relations Officer

## Introduction

Positioned at the nexus of internal and external communications, chief investor relations officers (CIROs) positively influence corporate transparency for the benefit of their companies and, ultimately, their shareholders. Communications excellence in the form of complete, consistent disclosure can yield strategic benefits including strengthened credibility, reputation, brand, and ultimately fair valuation.

## Position Description

### *Purpose and Scope*

The National Investor Relations Institute (NIRI) board of directors has defined investor relations (IR) as “a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company’s securities achieving fair valuation.”<sup>6</sup>

### *Responsibilities and Duties*

Executive level CIROs are responsible for developing and executing corporate IR programs that accurately reflect their companies. CIROs lead the development of strategy, operating plans, budget, and execution of IR programs. The primary operating objective of the IR program is to educate investors or potential investors about the company to achieve a fair relative stock value.

CIROs also cultivate and maintain a variety of internal and external relationships:

- Internal: chairman, CEO, president, COO, CFO, controller, general counsel, securities counsel, corporate secretary, CTO, communications officer, HR, leaders and staff of operating divisions, and IR staff.
- External: buy-side institutional investors (including securities analysts, portfolio managers, directors of research, investment department heads, and strategists), individual investors, sell-side securities analysts and their directors of research, credit analysts, debtholders, debt-rating agencies, and business and financial media.

### *Organizational Positioning*

The most effective CIROs have a “seat at the table,” meaning full access to senior management and familiarity with the company’s strategic direction. This includes extensive knowledge about the company’s strategy, budgets, forecasts, and corporate actions under consideration. This “need to know” equips the CIRO with information to speak authoritatively and credibly about the company’s current and future prospects.

### *Evolution of the Role*

The IR function began in 1953 when the chairman of General Electric made the first systematic effort to formalize a corporation’s relationship with its shareholders. Under his urging, a new department was created and the term “investor relations” was coined. Their charge was twofold:

1. Find ways to communicate responsibly with investors, with the Wall Street firms that serve them and with the financial press.
2. Find effective ways to convey back to management the needs, interests, attitudes, and concerns of these external constituents.

The profession has since evolved from what was once considered “financial public relations (PR),” with a heavy emphasis on PR, to the strategic role it is today. During that time, regulations like Regulation G (Reg. G), Regulation Fair Disclosure (Reg. FD), Sarbanes-Oxley, Regulation National Market System (Reg. NMS), and Dodd-Frank have also impacted the development of the IR position in the organization. Today, CIROs must be well versed in a multitude of disciplines: accounting, finance, capital markets, and disclosure regulations, to name a few.

They must understand the operations and strategy of their own companies and that of their competitors. They must also be able to speak on behalf of the company—a task usually reserved for the CEO and CFO.

## Information and Reporting Expectations

The IR perspective is key to effective board-shareowner relations in two fundamental ways:

1. As fiduciaries who serve the corporation on behalf of shareholders, directors need to understand the goals of their company’s shareholders.
2. Directors need their company’s shareholders to understand their goals as fiduciaries.

IR professionals can serve as a critical conduit on both counts. From a corporate governance standpoint, the directors represent a company's shareholders. It is imperative that they understand their shareholders and be familiar with the current perception of the company. They should know basic information: institutional versus individual ownership; institutional investment style; valuation of the stock price; etc.

But the board should also understand its shareholders' stance on corporate governance issues. With shareholder activism on the rise, a board should be briefed as to probable shareholder reaction to issues such as executive compensation plans, including options, poison pills, etc. Given the visibility and liability boards are now subject to, many directors proactively request information from the CIRO.

## Questioning the CIRO

Directors might wish to question the CIRO on the following topics:

- Stock price performance and activity.
- Comparative information—against indices, peers, and competitors.
- Relative measurements—price/earnings (P/E) and P/E to growth.
- Event highlights—IR or market events and major transactions.
- Shareholder composition—overview of institutional, retail, and insider holdings (surveillance/real-time or quarterly Form 13F filings).
- Ownership over time—major increases or decreases.
- Investor style—growth, value, or other.
- Earnings guidance—provided or not, and why; peers' practices; and comparisons between the company's and analysts' projections.
- Analyst information—estimates, changes in recommendations, summaries of viewpoints, perception of company strategy.
- Corporate governance information—compliance and implementation of regulations.
- IR activities (although in less detail than would be provided to top management)—outreach activities, any meetings with analysts (e.g., analyst days), and proactive activities as related to company strategy and IR plan.
- Investor perceptions—summaries of perception studies, if available.
- Major media coverage.

# Chief Marketing Officer

## Introduction

The chief marketing officer's (CMO's) role is uniquely challenging. Today, the CMO is increasingly expected to lead a marketing department that serves as a profit—rather than cost—center. The CMO is also required to be knowledgeable in a broad range of fields from analytical (i.e., analysis and market research), to creative, such as advertising and branding.

## Position Description

### *Purpose and Scope*

The CMO plays a different role in various organizations. As a member of the executive team they contribute to the creation of corporate strategy. They are responsible for stewarding the corporate brand and brand-building practice.

### *Responsibilities and Duties*

Core responsibilities of the CMO, supported by appropriate committees, may include the following items:

- Representing the voice of the customer.
- Owning the marketing skills and technology agenda.
- Owning the growth agenda—gathering external insights.
- Strategic leadership—portfolio investment priorities and synergy.
- Owning the financial performance for marketing—cost containment and return on marketing investment.

### *Organizational Positioning*

The CMO typically reports directly to the CEO and is a member of the executive management team.

Reporting to a CMO may be, among others, the following: brand and/or category managers/directors; regional and or/country marketing managers/directors; head of innovation; head of consumer and market knowledge/insights; head of design; head of marketing finance; and head of marketing services procurement.



In companies where CMOs are not peers of the executive management team, CMOs take on more of an operational function. These CMOs may view their role as primarily serving internal customers.

### *Evolution of the Role*

The turnover for CMOs is among the highest of the C-suite roles. The average CMO tenure is less than two years. Some of this may be attributed to poor management alignment around expectations and strategy, and some to the rapidly changing environment. The pace of change combined with an infinite number of marketing choices and challenges make this a difficult role to get right.

## Information and Reporting Expectations

The board of directors might expect the following information from the CMO:

- A report on marketing planning and implementation effectiveness.
- Key initiatives and metrics for measuring success.
- Financial budget and revenue targets.

## Questioning the CMO

Directors might wish to question the CMO on the following topics:

- What approach is used for getting the deepest and richest customer understanding.
- What metrics are in place for measuring and tracking customer loyalty.
- How the company's metrics compare to those used by the competition.
- How to track brand health.
- How to get ahead of customer trends.
- What is the CMO's ability to balance the marketing budget and serve business.
- What percentage of projects launched meet or exceed financial goals.
- What is the yield on projects launched.
- What is the CMO's system for assessing marketing talent.

## Questioning the CEO on the CMO's Reports

Directors might wish to question the CEO on the following marketing-related topics:

- The adequacy of the CMO's information that they are receiving and its value in supporting major decisions.
- The risks and benefits that might arise from key communications issues.
- The role the board can play and the "value add" that the board can provide with regard to marketing and communications.

# Chief Risk Officer

## Introduction

The chief risk officer (CRO) heads up the risk management department, which, depending on the nature and size of the company, may be divided into separate teams. These teams may focus on risk areas such as commodity risk management, enterprise risk management, and operational risk management (covering environment, health, and safety issues).

## Position Description

### *Purpose and Scope*

The CRO supports the independence of the risk management governance structure of a corporation and is a key figurehead in the company on these issues. He or she is in a sufficiently senior position to facilitate the independent assessment of risk-taking activities across the company/group. The CRO works with other functions, business units, and committees to ensure that appropriate strategic and risk response measures are developed and enacted.

### *Responsibilities and Duties*

Core responsibilities of the CRO, supported by appropriate committees, may include the following:

- Specifying the methodology and process for identifying, assessing, and monitoring risks.
- Maintaining and updating the company's risk management framework (e.g., policies, procedures, limits, operational risk standards, etc.).
- Managing certain risk types that may be centrally held (e.g., assessing and hedging commodity risks and optimizing the insurance program).
- Monitoring and enforcing adherence to key risk limits and operational risk standards—escalating where necessary.
- Reporting on key current and emerging risks faced by the company, and the effectiveness of its responses.

- Advising on the risk implications of major business initiatives and supporting risk-return analyses.
- Leading the risk management department.

The CRO's responsibilities are distinct from those of the head of the internal audit department and the head of the compliance department, although in some instances all three functions are headed up in a single senior position.

### *Organizational Positioning*

The CRO most often reports to the CFO, who is ultimately responsible for risk and value management. This assists the coordination of activities between risk and finance in particular, but sometimes inhibits the integration of risk information with key business decisions.

In some companies the CRO is a member of the executive team and a peer of the CFO. This provides the CRO with more authority, but requires a greater coordination of the interaction between risk and finance/treasury. In other companies the CRO reports to the CEO. This signals the elevation of control topics to the highest level, but can result in a competing agenda for the CEO and the marginalization of the CRO, whose views may not be well sponsored in executive team meetings.

The CRO is usually supported in his or her work by a management risk committee, composed of senior personnel representing commercial business units and corporate functions.

### *Evolution of the Role*

The role of the CRO is continually evolving. This is due to a combination of enhanced risk management capabilities and increased recognition of the “value add” that can be played by a sophisticated risk management function. This “value add” is not just due to the spotlight on risk resulting from the financial crisis and subsequent economic downturn. It is also due to the importance of taking a risk-adjusted view of the business portfolio, understanding the potential risk impacts on expected cash flows, and supporting the optimization of capital expenditure by taking into account risk-return trade-offs.

## Information and Reporting Expectations

The board of directors might expect the following information from the CRO:

- A view on the overall risk landscape for the company.

- The most significant risks (both everyday risks and infrequent events).
- Risks that are growing or declining fastest (or may do so).
- Longer term strategic uncertainties or emerging risks (although these may be monitored by strategy or business development departments).
- An assessment of the potential impacts of key risks on the company:
  - Business unit and group cash flows over short- and medium-term horizons.
  - Internal rate of return of major investments (e.g., projects, acquisitions, etc.).
  - Particular stress tests and scenario analysis on key topics (e.g., spikes (or plunges) in commodity prices or foreign exchange rates, or financial/political upheaval in key markets).
  - A report on risk management planning and implementation effectiveness.
  - The alignment of company financial tolerances, risk appetite, and major business (i.e., risk taking) decisions.
  - Mitigation efforts (e.g., hedging, insurance program, operational standards).
  - The risk management infrastructure and enhancements (e.g., committees, IT platforms, etc.).

## Questioning the CRO

Directors might wish to question the CRO on the following topics:

- The adequacy of the current risk governance structure (committees, relationship between risk and the commercial business units) and how it might be improved.
- The appropriateness of the risk management infrastructure for advanced risk management activities (e.g., personnel capabilities, IT platforms, etc.).
- The CRO's justification for the highlighted risks and the potential impacts.
- The quality of the company's risk response plans.

## Questioning the CEO on the CRO's Reports

Directors might wish to question the CEO on the following risk-related topics:

- The effectiveness of the integration of risk information with strategic planning and investment decision making.
- The quality of risk behavior/culture across the commercial business units and other risk-taking functions—and what evidence exists.
- The CEO's views on how risk information can best be used in communicating with investors.
- The adequacy of the risk information that the board receives and its value in supporting major decisions.

# Conclusion

As the business environment continues to change, leadership needs to continually adapt to new technologies which can present both opportunities and challenges. The core C-suite roles are still important and necessary, but in order to fill any gaps in management brought on by the evolving business environment, organizations are establishing new positions and roles. By restructuring some of the core positions and creating new ones, corporate America can be better equipped to handle the wide range of topics that are emerging in this fast-paced business culture.

It is incumbent upon boards to keep pace and glean the most critical information from their executive teams. Understanding the roles outlined in this white paper will arm directors with the tools to continually bridge the gap between the C-suite and the boardroom.

# Endnotes

1. National Association of Corporate Directors (NACD), *2012–2013 NACD Public Company Governance Survey* (Washington DC: NACD, 2012).
2. Corporate Responsibility Officers Association (CROA), *Structuring and Staffing*
3. *Corporate Responsibility: A Guidebook* (Washington DC: CROA, 2011).
4. Corporate Responsibility Officers Association (CROA) & Business Civic Leadership Center, *The State of the Corporate Responsibility Profession* (Washington DC: CROA, 2012).
5. For more information on the changes to the guidelines, see U.S. Sentencing Guidelines, *Guidelines Manual* §8C2.5(f)(3)(i) (2010).
6. For more information on the ombudsman function, see James Hostetler & Jon McBride, “Building a Culture of Trust From the Ground Up,” *NACD Directorship*, July/Aug. 2012.
7. National Investor Relations Institute (NIRI), *About Us*, <http://www.niri.org/FunctionalMenu/About.aspx>.



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