

Why Chief People Officers *have really joined the C-suite*

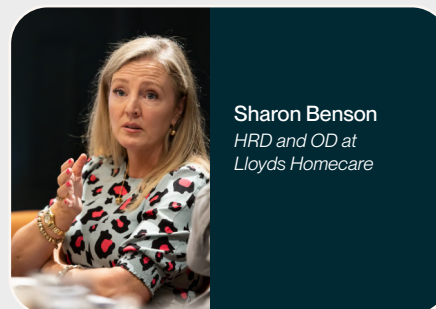
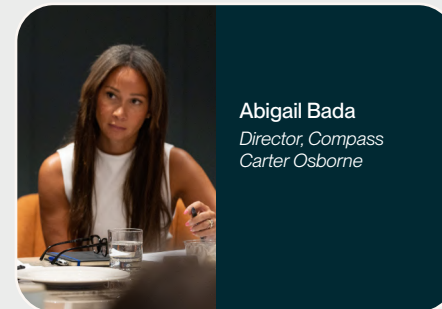
Strong Financial performance follows good
quality, which follows outstanding people



Attendees

Compass Carter Osborne

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The Chief People Officer (CPO) is now firmly within the C-suite category,

alongside the CEO, CFO, COO and others. People are mission critical in health and social care; culture is a key competitive advantage and today's CPO is more instrumental than ever in developing company strategy

and jointly owning and delivering the broader commercial agenda.

Looking at the evolving role of the CPO across health, care, education, retail and consumer, it is clear that financial success follows quality of service delivery, which follows from recruiting and retaining the best people. CPOs are therefore increasingly in a new paradigm where their key responsibility for people is more critical than ever in driving the top and bottom line in a new era of value creation for the sector.

- CPOs take on a greater role on boards as their oversight becomes vital to driving commercial performance.
- Healthcare sector to benefit from push to better productivity, compliance

and resource management.

- CPO-led value-creation matters in new M&A, lending and ESG environment.

The UK's private healthcare sector is particularly conscious of how much its employees drive this quality and thus the financial performance. Compass Carter Osborne recently gathered CPOs from across the private equity and founder-owned healthcare and retail landscape to talk through the changing role over a breakfast event in central London.



Their responsibilities, and others with the same job title, are fast moving from an historically siloed role into a much broader one that overlaps with the CEO and CFO – it is mission-critical in underpinning the entire value-creation chain.

Investors and boards now recognise that CPOs bring unique insight into the hugely valuable human capital they invest in and manage. Many are also increasingly focussed on how new organisational structures can truly engage with employees leading to higher productivity, increased compliance and better outcomes.

The CPO is no longer perceived as just a Human Resources function, responsible for hiring and firing or installing a new loathed and under-used IT system - CEOs are paying more attention to pivoting the role to a core executive function that can

underpin all business plans: transformational, acquisitive and organic growth.

The argument was clear: the need to double EBITDA is not a target but a strategy which needs a business function to measure the performance of the people working towards it.



‘The role is now akin to a hybrid CFO and CMO – data-driven people insights are being used to shape strategy and analyse outcomes, resulting in better staff engagement and driving commercial success.’

The change comes not just in a post-pandemic and Brexit world, where staffing shortages and inflationary pressures continue to create headwinds to the day-to-day functioning of businesses, but also as expensive leverage markets and the significant 15% drop* in M&A volumes have meant investors are looking for other areas of value creation to generate returns.

The best CPOs are now the ones that read the P&L, understand the finances and communicate widely to the CEO and CFO. In return, the C-suite must not see the function as the means to immediately fix the workforce problem, but to bring it upstream in similar ways as finance and IT deliver and underpin business strategy.



All staff drive returns

Ultimately in healthcare, it is the people on the ground – the pharmacists, nurses, carers and even receptionists – who are the fee-earners that grow the business.

Companies will lose revenue if they do not have the capacity to deliver on it and will likely see declining market share if staff are unmotivated, unskilled and poorly managed in the face of inattentive HR.

CPOs are now showing data to their investors on just how much poor colleague engagement can impact returns: a 7-8% growth in an NPS score can drive a 20% growth on the top line.

To that end, CPOs are starting to see the function as more akin to marketing, with the Employee Value Proposition and the Customer Value Proposition so closely interlinked. Swap out

the word ‘client’ for ‘colleague’ and set up systems to improve that experience and many workforce issues could be solved.

Evolving tasks for the CPO

Employee retention strategies, increasingly over recruitment, remains one area where CPOs are seeing the benefit of their broader operational function as they take a greater handle on organisational structures, culture and employee experience, as well as career progression.

Turnover has been historically high across the health and social care services, reaching as high as 65% for at-home care providers and 94% at some nursing homes.

The CPOs at the Compass Carter Osborne event have been taking a multi-pronged approach to try and address this. The biggest has been to improve KPI and data collection, alongside reducing the number of roles in an organisation and repurposing job descriptions, so that executives can effectively benchmark productivity at each band.

That has taken the form of enforcing focus groups and exit interviews across all employee levels, alongside more concrete data that even goes as far as how long a phone is left unanswered at a particular care establishment. Branch managers cannot, therefore, dispute if they need to be performance managed.



To help keep good employees, many are mapping out company career paths via a Tube Map model that can then be printed out and circulated on-site so employees have a clear view of career progression. They are also running new programmes to upskill more junior staff in core subjects like maths and literacy so that they feel prepared to take on the admin of quality assurance and CQC/Ofsted reports when they are promoted.

All of this is propelling a new wave of inspirational middle management that CPOs want to increasingly be accountable to help retain and energise staff at the entry-level,

On a more practical level, some CPOs have been instructive in introducing new roster technologies that allow staff to self-service and swap shifts, which improves attendance and can boost the efficiency of payroll by up to 10%.

Having an executive in charge of data and HR systems is also key to the cost base at an operational level: helping to retain Right to Work documents, bringing down recruitment costs by assessing applications for areas like language skills and bringing applicants into the business at a faster pace.

CPOs are also increasingly responsible for building a winning company culture which retains its staff. Employees, particularly those in mid-management, that have appropriate channels of feedback will feel more recognised for hard work and diligence, while those underperforming will have suitable paths to improvement.

The way that employees interact with each other and their clients is also core to company culture. Some CPOs are lobbying educational institutions so that the highest level of clinical staff, vets and doctors, have been taught how to interact with their nurses and receptionists, or introducing a hub-and-spoke model among roll-ups so that new practices can see how the best in the business perform.

Diversification and ESG

Especially in today's challenging M&A and lending market, it is increasingly difficult to go to market without robust data on all three measures of ESG. This is exceptionally pertinent in the health and social care sectors, where many assets are naturally considered impact investments due to their work in caring for and treating some of society's

most vulnerable. Investors and lenders need to see robust data, which is where a strong CPO can work to gather and report on Social and Governance KPIs. Private equity backers can only deliver on their core mandate of delivering returns when the next buyer, whether that be a sponsor or a trade buyer, is convinced of these metrics.

Bringing a CPO on the company board is also seen by some to be an easy way to bolster diversity at the executive level considering that female representation of CPOs in healthcare is north of 80%.

Companies that hire good CPOs and support their initiatives to double down on company culture, enforce systems that act on data reporting and see retention as a problem to be solved at the executive level, will be best placed to succeed in an ever-changing trading environment.

* Knight Frank's Healthcare Report 2023



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CFO Report

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Abigail is an experienced executive search consultant having supported investor backed clients in the healthcare, wellness, and active lifestyle industries for in excess of fifteen years. Having spent more than 5 years at Compass Carter Osborne, she has returned to the business to lead the People & Culture Practice as a Director. With extensive knowledge, insight, and track record of delivering exceptional senior leadership talent into the "People" leadership spectrum, as well as supporting board compositions of C-suite and non-executive director hires, she is a valued advisor to the sector.



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Henry is Non-Executive Chair at Compass Recruitment Solutions (CRS). He is a leading voice of authority for the private equity backed healthcare space, having held prominent positions in the industry for many years. Henry was previously Chief Executive of LaingBuisson since 2016, and is currently Chair of Mansfield Advisors, Deputy Chair of the European Health Care Private Equity Association and Senior Consultant to Macquarie.

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