

# THE YEAR AHEAD: WHAT'S YOUR PEOPLE PLAN?

Even as the economy slows, the overall long-term strength of the labor market promises to remain a hurdle for C-Suites and boards already challenged to grow their businesses. What should be on your human-resource radar in the year to come? Some ideas.

**BY BENJAMIN REEVES, JENNIFER PELLET AND DAN BIGMAN**

Ever since the pandemic upended operations across industries in 2020, companies have been coping with massive changes affecting every aspect of talent management. Initially this entailed direct responses to the virus—new health protocols, a sudden shift to remote work and major disruptions to the economy and supply chains. That disruption all took place against the backdrop of a polarized political environment and long-brewing racial reckoning. Eventually, the pandemic panic receded, but in many respects the turmoil remains as management and boards continue to vie with significant disruptions to the old way of doing business.

Remote work—and its hybrid office companion—is here to stay, uncertainty reigns, inflation has surged and employee

activism is escalating. Unionization efforts are cropping up in many places, even as companies are under pressure to combat inflation by controlling labor costs. What's more, trends that existed before the pandemic, including the rise of automation and AI, continue to intensify, driving demand for an already-taxed supply of skilled workers. All of these forces are making human resources a key component of boardroom discussions on topics ranging from expansion and profitability to risk management and growth strategy.

Rising turnover rates and the need to compete more vigorously for talent have many directors primed to take a deeper dive into new ways of engaging and developing talent. "We're thinking we need to have a different frame of mind, how we relate to our workforce; we need

“

**If you do strategic workforce planning right, you actually start with the business vision and mission.”**

*—Samantha Hammock,  
CHRO, Verizon*





**We're finding more boards asking, how do you stay in touch with the employee? What KPIs and drivers of engagement, inclusion, intent to stay and expectations are being tracked?"**

**—Zig Serafin, Board Member, Moody's**

to think about labor differently, we need to compensate differently, we need to be closer to our workforce," says Steve Halverson, who serves on the board at CSX. "Those aren't bad things. They're necessary things. And it's probably good for boards to think in those terms and make sure management is taking a long view about how it develops the kind of workplace that will attract the kind of labor you need to succeed."

While many directors feel employees gained too much leverage in recent years due to skills shortages and the Great Resignation and are hoping for the pendulum to swing back, Halverson doesn't see that happening—at least

not anytime soon. "I don't think it will just go back to how it was before," he says, noting that demand for skilled workers still outpaces supply. "There will be some permanent changes for most industries, certainly the ones to which I'm exposed."

Zig Serafin, a director at Moody's and CEO of the experience management firm Qualtrics, agrees. "There's significant attention being paid right now to taking care of customers, enabling services that differentiate you in the market, and there's a very important connection between that and human beings," he notes. "So whether there's perhaps loosening of the labor market in some industries and tightening in others, we're going to continue to see an increasing focus around understanding what it takes to connect with what drives behavior, what drives engagement, why a workforce decides to spend more time with one organization versus working for another organization."

### **TACKLING SHORTAGES**

The need for companies and boards to devote significant time to discussing competing for talent in a tight labor

market is echoed by John Bremen, managing director and chief innovation and acceleration officer at Willis Towers Watson, who says the three top HR issues companies face are talent shortage, talent shortage and, of course, talent shortage. "There aren't going to be a lot of issues for 2023 that are not part of the talent shortage umbrella. It's like the mother of all issues," he says.

Labor markets remain tight, and wage inflation continues to be an issue for companies. While it may sound paradoxical to talk about a talent shortage when a recession is in the offing, Bremen says that even during the Great Recession in 2008, which was likely much more severe than the next downturn will be, there were still talent shortages for specific roles and skillsets.

Persistently high quit rates and wages elevated by inflation likely mean the battle for people in key categories will persist. Notably, Bremen adds, many of the talent shortages we are now facing were predicted pre-pandemic because of general demographic trends. "There are 80 million boomers in the U.S., but only 60 million Gen Xers," he says. "So, believe it or not, even though the U.S. workforce is bigger today than it was in 2010, there's 11 percent fewer 45- to 54-year-olds."

Beyond that, "workers are sending the message that they just don't trust managers," not just on wages and working conditions "but on a wide variety of issues of the firm living up to its espoused values," says Tom Kochan, a professor at the MIT Sloan School of Management.

Adds Jeff Jolton, managing director of research and insights for Spencer Stuart, "Before, it was, 'How do I fit the company's values?' Now, it's 'How are my values being reflected by the company?' And if the company is making money, they want to make money."

### **MEASURE MORE**

The good news? Today's boards have powerful analytics tools at their disposal to assess, understand and address talent concerns. "That world has changed significantly since the '70s, when companies looking into engagement would rely on employee surveys," says Serafin. "Especially in the last year, we've seen a movement into more real-time, contextual, scientifically proven methodology that helps

# ESG & Compensation

Amid mounting pressure for progress on inclusion, diversity and sustainability goals, more and more companies are linking incentive pay to ESG metrics. Some pointers:

**Identify the opportunities.** “Each company really needs to decide what ESG means to them in terms of the problems they’re trying to solve,” says Duy-Loan Le, who serves on the boards of Wolfsped, National Instruments and Ballard Power Systems. “What fits with the culture of the company? Does it drive business growth? Because that’s quite different, depending on company size, the industry and the operating principles that guide decision-making on the board. And your company needs to have a genuine purpose for adding ESG incentives and not be doing it just for the sake of noise out there.”

**Invest the time to get it right.** Companies that move too quickly risk missteps, such as adopting measures that don’t align with corporate strategy or setting the bar too high. “It takes time to identify the items that are really important and to get all the people on board and the systems in place to track

your goals and objectives in some measurable way,” says Tim Mahoney, who serves on the board of Agrify. “You can’t do that in a quarter or two quarters. It’s a process that can take a couple of years if you’re working at it diligently.”

**Check for achievability.** “The person being tagged with that goal needs to feel that they have the authority and means to achieve the objective,” says Mahoney. “One of the key roles of the board is making sure that people don’t get out ahead of their skis and start throwing around objectives only to find out at the end of the year that 60 percent of what someone is being measured on is stuff they have no control over.”

**Understand the risk.** Companies that introduce meaningful ESG goals need to be prepared for the possibility of missing them—and their responsibility to disclose that to shareholders, points out Le. “You have to realize that this is a multi-year journey, and that you’re going to miss [your targets] some years and have to disclose why. There needs to be some decision-making, some monitoring at the board level, because the board is liable for that disclosure.”



**One of the key roles of the board is making sure people don’t get out ahead of their skis and start throwing around objectives.”**

**—Tim Mahoney, Board Member, Agrify**

companies understand things like employee engagement, intent to stay, well-being, what drives inclusivity, and then the correlation between those and the impact on the performance of the business.”

Already, more robust data on what moves the needle for employees when it comes to choosing where to work and how long to stay there has led to revelations. For example, in an effort to determine which benefits employees cared most about, Goldman Sachs discovered its employees valued support for life outside of work, says Serafin. “Offering fertility treatment support, time off for elder and family care and enabling adoption stipends were some of the ways of using the same money that they might have spent in less effective ways differently for different employee populations.”

There’s also growing recognition that delivering a great employee experience is a competitive differentiator—one that merits attention at the board level. “We’re finding more boards asking, ‘How do you stay in touch with the employee?’,” says Serafin. “What are you learning over time? What KPIs and drivers of engagement, inclusion, intent to stay and expectations are being tracked? What do you learn from that? What actions are being taken?”

It’s a level of oversight that resonated with MIT’s Andrew McAfee, author of the bestsellers *More From Less*, *Machine, Platform, Crowd* and *The Second Machine Age*, who agrees boards should be asking questions and leaning on data to inform their understanding of the sentiments of their company’s employee populations. He sees enormous opportunities to leverage



**If you can't articulate your reasons, your mandates are not going to work. They're going to work against you."**

**—Marc Benioff, Chairman and CEO, Salesforce**

the same technology that companies now use to track customers to help understand and better serve their labor force—and to demand of human resources executives the same kind of rigor and number-backed analysis they've always expected with financial data from their CFOs.

"We need to build up our capabilities to handle people's professional information, to get them in the same order of magnitude of refinement as people's social information," says McAfee. "Holy cow, are we good at assessing all the things you do on platforms, all the things I do on platforms, all of our clicks, all of that, to service very tailored ads. We need to get as good with our professional activities as we are with our personal activities at the task of measurement for the very simple reason that it's very hard to manage what you can only measure poorly.

The better we get at measuring things like your skills and your trajectory and where you want to take your next job and your career, the better we get at measurement, the better we can help you with that."

What's most important, says Verizon CHRO Samantha Hammock, is that the board and management focus first and foremost on making sure the talent strategy is serving the business strategy. Hiring without a clear multi-year plan for that individual is almost always a mistake, says Hammock, who oversees talent strategy for the company's more than 125,000 employees. Shortly after Hans Vestberg took the CEO post in 2018, he announced Verizon 2.0, a new strategy that would reorganize the company around a more customer-facing model, rather than one centered on products, and would require an overhaul of how the company viewed talent acquisition and development.

"It put a whole chain of action into play," says Hammock. "We spent a full year setting up the process, doing the research, getting the benchmarking and making sure we had the right roles and job hierarchy in place."

For nearly two years, Hammock has been working with the new framework for strategic workforce planning that allows her to see several moves ahead—where the company might be lacking talent,

when employees should be moved into new roles, which skills will be most needed in the future, and so on. The new framework means Verizon hires very few new employees—and when they do, it's with the intention of developing those individuals' skills for future roles so that new hires won't be necessary.

"If you do strategic workforce planning right, you actually start with the business vision and mission," says Hammock. "At Verizon, we have a very clear five-year strategy as a business and as a company, and it has stayed consistent. So for us, we can actually take the pillars of that piece, and every single one of our business divisions, and then say, what core skills and capabilities do we need to be able to deliver on this business strategy? And then we actually back into it from a talent strategy."

## **FLEXIBLE AND REMOTE?**

The ongoing debate over how best to address the pandemic-induced shift to remote work now that virus protocols have abated is further complicating conversations around talent. Widely embraced to varying degrees, remote work may well be here to stay, but what that means long term is unclear for many companies. What is the definition of hybrid? How much time in the office is beneficial? How much is too much? How much monitoring do remote employees need? What will be the long-term ramifications on engagement, culture and team-building?

"You have two kinds of CEOs," Marc Benioff, chair and Co-CEO of Salesforce, recently told our sister publication *Chief Executive*. "Those who are giving mandates: 'You must be in the office four days a week, that's how it is.' Or reasons: 'We need to be in the office for these five reasons, because we're doing professional development, we're launching this new product, we're mentoring our young executives.' If you can't articulate your reasons, your mandates are not going to work. They're going to work against you. You can see now the number of employee letters that have gotten created because of mandates. You have to be aware that it's a different environment, and how you're communicating with people has to be different. It's not just here. I've been in Australia, Japan, Europe. I've been throughout the United States. It's a little bit different everywhere,



**We started a process of having management identify likely candidates for different positions and going through a process of ready now, ready in two to three years and ready in three to five years.”**

**—Carolyn Beaver, Audit Chair, MaxLinear**

but it’s remarkably similar in that this has changed everybody.”

A survey of 58,000 people in 11 different countries by office furniture maker Steelcase found that while many hunger for seeing people, collaborating in person and rebuilding a sense of belonging, they also worry that they’ll lose the ability to work without distraction that they’ve come to enjoy while working at home—not to mention the need for childcare and elder care.

As for hybrid, the big complaint remains technology—how do you balance the voices of those in the office with those who are dialing in?

“In the past, the facility managers might just put on a device, and you could be in a big vacuous room with poor acoustics and poor lighting and you just dealt with it,” says Ron Martere, business group VP at Steelcase. “Now we’re going to think that experience has to be engaging.... it has to be easy to use—otherwise, people won’t do it. It’s got to be equitable. Let’s say there are three people here and we’re talking, you don’t feel like you’re the odd person out.”

Boards will need to continue to work with management to hammer out approaches that balance the need to appease workers demanding more flexibility with practices and policies that foster an effective, productive workforce.

“We’re finally appreciating that organizations are going to have to set up guardrails for how much you work, how long you work, when you work,” says Steve Cadigan, former CHRO at LinkedIn and a board member at Certn, Giroux Glass and Perk Labs.

#### **MAKING IT WORK**

Remote employee burnout is as much of a concern as issues like the challenge of enabling geographically dispersed team members to collaborate effectively or the loss of productivity due to distractions at home, he noted. “There’s increasing research around sleep and the capacity to innovate and create and deliver,” Cadigan says. “X-factor performance is really tied to rest and turning off. That’s a big one people are wrestling with. The ground is still moving with hybrid and remote work.”

No longer going into a physical office sometimes segues into a lack of structure

and boundaries on the workday. In such cases, boards may find themselves debating HR policies around sending emails at night or on weekends to guard against overtaxing employees and negatively impacting performance or driving them to jump ship at a time when losing key talent can be devastating.

Often, discrepancies between what’s possible for various positions also become a source of conflict, leading management and boards to debate how to handle the potential for resentment when some work requires being on-premises while other positions can be performed remotely. In other cases, remote employment has led organizations into unfamiliar territory as they grapple with new issues from regulatory requirements that come with employing workers in certain states to the need to find ways to help employees forge connections with coworkers.

Semiconductor maker MaxLinear walked that line by requiring staff to work in the office at least four days a week once concerns about Covid began to fade, says Carolyn Beaver, audit committee chair. “The company believed that it was important to have teams working together because face-to-face communication and collaboration is preferable, especially in problem-solving scenarios,” she says. “In terms of impact on morale and turnover, we didn’t receive any blowback from that—people have generally been willing to come into the office to work.”

The company has, however, always struggled to compete for engineering talent against larger, deep-pocketed players like Apple, Google and Mehta. MaxLinear has been able to offset that disadvantage by promoting the upside of being part of a smaller company that can offer more variety of work, increased responsibility at a relatively fast pace and mentoring opportunities.

“From a board standpoint, we started a process of having management identify likely candidates for different positions and going through a process of ready now, ready in two to three years and ready in three to five years,” says Beaver. “We started that with senior management and have been rolling it down throughout the organization for the last few years to increase the robustness of succession planning.”



## A PLACE TO GROW

That focus on long-term development is essential. Beyond compensation, today's workers actively seek a good cultural fit and a chance to grow professionally—an environment where they feel comfortable, and a mission that resonates with their values. As a result, companies that relied primarily on compensation to lure top talent may need to broaden their approach, says Hammock. "People really want to understand what type of culture and environment they're joining.... People really care about the culture they're joining, about what it's like to work there."

Millennial and GenZ workers in particular often screen for employers that are making meaningful investments in areas like sustainability and diversity, equity and inclusion. However,

while many companies have made great strides in their efforts to promote diversity, delivering on equity and inclusion can be trickier, notes Mirian Graddick-Weir, a board member at Booking Holdings and Yum! Brands. "What's become apparent now is that there's still work to be done, especially in the more senior ranks, around diversity, but you could have people sitting around the table who are diverse who really don't feel like they belong or their voices are being heard," she says. "Some companies are now starting with inclusion—they're saying you really have to start with creating an inclusive climate where people have equal access to opportunities, and then diversity will follow."

Companies able to navigate that change may also be better equipped to attract next-generation talent, as younger workers tend to chafe at hierarchal management models, placing value instead on decentralized work environments, inclusivity and learning and development opportunities.

Boards can help by querying management on the educational and growth opportunities available at various levels of the organization and urging more robust leadership development programs as a path to appealing to this demographic. Today's

workers often choose where to work based on whether they see themselves learning and growing in their position.

"The changing psychology of the workforce is probably the most prominent issue in the laps of talent leaders," says Cadigan. "It's expressing itself in different ways: I want more flexibility in my work arrangements. I may leave the company sooner than you're planning for. The career ladders you built don't seem to have the same attractiveness to me that they used to."

At \$20 billion medical technology giant BD, chairman and CEO Tom Polen has focused his professional development efforts on instilling a growth mindset throughout his workforce of 75,000 employees. He partnered with the NeuroLeadership Institute in New York, who he says built the best group of science around how you create growth mindsets in organizations, and how that unleashes capabilities and power.

"They put people through training on a growth mindset—what it is, what it looks like," says Polen. "We celebrate it and recognize it. I'm a big fan of, certainly, you get what you measure, but even more so, you get what you celebrate, and that's more fun, and it's more powerful. We have metrics, and we measure a lot of things, but the power of celebration is even stronger in an organization in terms of driving culture. We're constantly pointing out growth mindset: 'Hey, here's something that happened in this business that we can all learn from,' and then we share those stories nonstop. That's who's up on stage, that's who's at town halls, and we're telling growth mindset stories constantly in the organization. People can see that people who do well, this is what they do.

"That's how you drive culture and how you promote," says Polen. "We're very, very careful in every promotion announcement that we make. Why exactly is that leader being promoted? And pretty much every announcement involves some aspect of growth mindset and a story about that leader and how they displayed it, and connecting that to people doing well in the organization. You have to holistically make it ingrained that this is what we talk about and who we are. Once people have a fundamental understanding of it and then see it in action, it's amazing how fast the flywheel moves." **CBM**



**The changing psychology of the workforce is probably the most prominent issue in the laps of talent leaders."**

**—Steve Cadigan, Board Member, Certn, Glroux Glass and Perk Labs**