

TALENT TURNABOUT?

After a decade of struggling to lure and hang on to top talent, it's tempting to hope that tech sector layoffs and rising market volatility might lead to a loosening talent market. The reality: The challenges may have changed, but the competition for quality contributors remains brutal.

BY JENNIFER PELLET

Companies can be forgiven for emerging from the talent exodus of the Great Resignation with at least a small measure of glee, optimistic that otherwise dreaded developments like a shrinking economy, rising interest rates and inflationary pressure might prompt a pendulum swing in employers' favor. No such luck, however.

Instead, the old adage, "the more things change, the more they stay the same" feels more apropos for the current talent market. Companies are still grappling with unexpected departures, difficulty attracting skilled talent and shifting priorities among both current and prospective workers, report directors participating in a recent roundtable held in partnership with Semler Brossy.

Several directors cited the shift to remote work as exacerbating their talent issues. Jerry Fowden, a board member at Primo Water, recounted the loss of a head of internal audit who left for a remote position with a Connecticut-based company. "They were hired at a Connecticut level salary and told they can permanently work from home in Tampa,

which doesn't have Connecticut-level taxes," he explained. "That will be a difficult situation to overcome if it becomes widespread, because after-tax money goes 60 percent further in Florida."

Others have had to rethink their workplace policies in an effort to retain in-demand talent. At UniFirst, for example, a senior executive's desire to move to Los Angeles to be closer to her daughter led the company to a change in remote-work policy. "She has a staff of 70 people in Wilmington, Massachusetts, so there were concerns about how that would work out," said Kathleen Camilli, a board member at UniFirst, AGF Investment Management and Zero Hash, who noted that initial feedback has been positive. "It's been virtually seamless. She's continued to build out her team, and she's doing an excellent job."

The ability to flex policies to respond to employee needs is fast becoming a key recruiting edge, said Blair Jones, a managing director at Semler Brossy. "During the Great Resignation, everything was about compensation," she said. "Now, people are thinking more about what is going on in their lives and looking more closely at the entire value proposition of potential employers. Part of that may mean letting people work remotely. It may mean career develop-

ment-oriented [strengths] in terms what you can offer to help people gain skills that will further their careers. Or it might mean enhancing healthcare programs or introducing other benefits, such as financial planning.”

Communicating that value proposition to workers is also key, noted Archana Singh, a board member at Primo Water. “The way every company leans into this will be different, so it’s about being explicit about your value proposition,” she said. “There will be some employees who expect this and others who expect that, so we have to be clear about the employee relationship—what is the value proposition of working at Salesforce versus working at Thrasio versus working at Advent?”

REMOTE READINESS

At the same time, employers need to be mindful of the unintended consequences of adapting to meet the evolving expectations of employees. At Employers Holdings, allowing employees to work from home has enabled the Reno, Nevada-based company to attract Silicon Valley-based tech talent. However, the company must now balance the advantages of broadening its talent pool with the potential long-term impact on retention rates and company culture.

“We’ve talked about the risk of having people be maybe a little bit less tied to the company because they’re not on-site,” said Barbara Higgins, board member at Employers, who explained that the board is now monitoring efforts at strengthening relationships with far-flung employees. “We’re asking our CEO, ‘Are team members getting enough time together? How are trust levels?’ And we’re looking for ways to not only make sure that the team is being productive but also that the senior leaders are happy and comfortable.”

In the absence of gathering in a physical space for face-to-face engagement opportunities, companies will need to work harder to build and monitor culture, agreed Singh. “Boards can help by paying attention to what metrics will tell us that this engagement and explicit

intentionality is creating that connective tissue,” she said. “That will be the new culture-building in the world we live in, now that culture is not inside four walls but rather a combination of flexibility and other things.”

At Beacon Roofing Supply, one-on-one meetings with employees help board members get direct input on culture, said Neil Novich, a board member at the company. “Every board member gets assigned a mid-level manager for quarterly open-ended discussions,” he explained. “So, you can ask them, ‘Hey, what do you think about the new corporate philosophy?’ and get a pretty candid answer. It does take a lot of trust, and I’m sure lots of management teams wouldn’t be crazy about it, but everybody has seen it as being really helpful.”

Alex Wolff, a board member at Albemarle, reported successfully gathering feedback on culture through a similar on-the-ground research approach while serving as a director at a company where board members were asked by their chair to visit three sites each year. “Management was very uncomfortable with it, but the upshot was we were able to explain what we were seeing and hearing and how what they thought was going on might not reflect the exact situation,” he explained. “Boards can offer assistance by challenging, questioning and providing alternative ways of thinking about things, but ultimately letting management make the decisions.”

COMEBACK PROPOSITIONS

Even as some companies move to make remote workforce engagement a core competency, plenty of others are working at luring employees back to an on-site model. Service Properties, for example, is more interested in bringing its employees back into the office spaces than adapting to accommodate a remote workforce. “We’re working to counter the millennial view of ‘I don’t need to show up at work’ by creating a little FOMO—fear of missing out on what’s going on in the office,” explained Rob Cramer, a board member at the company, who says the approach seems to be effective. “We’ve not seen a



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whole lot of pushback. People are gravitating toward showing up at the office more regularly.”

For younger workers, the disadvantages of working from home may ultimately far outweigh the advantages, eventually propelling employees back into offices. “They’re not getting mentored, they’re not getting trained and they’re not developing relationships,” said Andrew Smith, a director at Core Molding, who added that the follow-on effects will play out in succession pipelines over the long term. “These are kids who grew up with an iPhone in their hands and are now in their first and second jobs. So I worry about what that will mean for senior talent in 20, 30 years.”

“There’s a cohort coming up the pipelines that has not spent time with their peers, has not spent physical time with their managers or with their clients—and

hasn’t had the opportunity to build the professional networks that let someone progress from being a really good executor to being a partner,” agreed John McCartney, a board member at EQT. “And that is going to impact our workforce somewhere along the line in the not-too-distant future.

“We spend an incredible amount of time focused on what the impact of this blank space will be in three to five years, both for the business and for our people,” he added. “But other than good, intentional culture-building activities, we haven’t come up with good solutions.”

The pendulum, some suggest, is already swinging back. The attraction of remote work has waned for some employees as its impact on career development becomes more clear, said Tom Palmer, board member at Erie Indemnity. “We’ve had some mid-level people come back

VYING FOR SILICON VALLEY TALENT

HIRING FREEZES AND LAYOFFS IN

the nation’s epicenter of innovation could be a talent boon for tech-talent-starved traditional companies. But those looking to recruit from Silicon Valley’s labor pool of displaced workers should be cognizant of a few caveats, noted Blair Jones, a managing director at Semler Brossy. “You have to remember that these are people who want to change the world,” she said, “Mission is a big seller for these people.”

Cultural fit may also be an issue. “It would be rare for us to hire people who have been let go from Silicon Valley, just because culturally, they wouldn’t fit,” said Kathleen Camilli, a board member at UniFirst.

Jerry Fowden, a board member at Primo Water, agreed, noting that

both fit and turnover could be issues. “When you’re transferring from high-tech to traditional business, how many of these people will be comfortable?” he asked. “And if you recruit someone looking for a job because they’ve lost a job but they’re accustomed to a different culture, what’s the risk that six or 12 months later, they’ll be gone for a better match?”

Stability, however, might be a big draw for relatively recent hires whose compensation suffered significantly in the recent market turmoil. “The ability to offer cash compensation has become more attractive than equity for some people,” said Jones. “So to the extent that you’re a company that can offer stability and certain cash flow—that can be an attractive recruiting lever.”



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to the office because they understood its importance for career development,” he reported. “If you work remotely, you’re more distant from the mentoring and development that we’ve talked about and, importantly if you’re interested in elevating in the organization, you’re just not getting the interaction broadly to become a more versatile player.”

However, a vast migration back to corporate offices doesn’t necessarily mean that a more holistic approach to understanding and addressing the needs and wants of employees will also go by the wayside—nor that it should. For companies that have long struggled to compete on compensation, the shift is an opportunity.

“All of those other benefits have become an important part of the full equation,” noted Jones. “The best boards are talking about these issues and the experiments companies are trying in order to meet employees where they are. There’s recognition that thinking more holistically about what you can offer can give you a different storyline with both your current employees and your potential hires.”

In short, while pay remains a significant factor for most employees, it’s no longer the sole determinant. Recognition of that shift has led some boards to broaden the scope of compensation committees. Employers Holdings, for example, adapted its charter to form a human capital and compensation committee charged with looking beyond pay.

“We include all those discussions now to really look at where we are losing individuals and what should be done about it,” Higgins said. “We look at employee survey results to identify drivers—to see where we have deficits and what we can do to shore them up. Is it a benefits issue? A culture issue? It’s not always a salary issue.”

Ultimately, the workplace debate inspired by the pandemic led the company’s human capital and compensation committee to look more deeply at retention issues. Was the company losing individuals in certain jobs? At certain levels? For people turning over, what reasons for leaving were they giving?

What, if anything, could the company do about it?

Even boards that retain the traditional comp committee structure are having broader conversations around how to address retention and recruiting issues, as well as productivity. “Having comp committees look at the culture and other drivers of human capital performance has become more and more common,” said Singh, who said Primo Water’s full board also gets regular reports on human capital drivers. “We look into locations where jobs may be open longer than is typical to identify potential issues. Is there higher absenteeism? An inability to recruit? An inability to retain after the onboard period? Management and the CHRO go deep into those details and bring them forward for the whole board to look at, and that informs decisions around compensation, benefits and other aspects.”

DIGGING FOR DATA

Amid widespread acknowledgment of a shift in what employees look for in an employer, boards also need to be more vigilant about questioning the data being provided to the comp committee and scrutinizing the company’s value proposition for employees, said Wolff. “We do that a lot, so we know why people work for the company, we know why people are tempted to leave the company,” he explained. “This is an art rather than a science. Boards [should be] observing what management is doing, what the options are, how that’s changing and helping them think about things in different ways.”

Ultimately, the pandemic gave companies the impetus to rethink a broad range of office policies and practices—and now it’s up to boards and management to keep that momentum going. “It’s clear that purpose, culture and value proposition matter,” summed up Semler Brossy’s Jones. “There’s an opportunity here for boards to help their management teams ask the right questions, push for the right data and elevate these talent discussions to make sure the the value proposition and differentiation is clear and being used to the company’s advantage.” **CBM**



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