

# CHRO Today Executive Network



Part 1: 3:00 PM – 4:00 PM ET (Content Session)

Guest Speaker:

Dr. Peter Cappelli, Director, Wharton Center for Human Resources

***HR's New Role: Employee Advocates Once Again?***

Part 2: 4:00 PM – 4:30 PM ET (Shared Problem-Solving Discussion)

- Question from the group?
- **Consider offshore/nearshore/onshore staffing and enhanced process strategies.**

**Dr. Peter Cappelli**, Director,  
Wharton Center for Human  
Resources



A photograph of a business meeting. In the foreground, a person's hands are pointing at a tablet displaying a chart. In the background, a woman in a grey blazer is looking at the tablet and has her hand near her face. To the left, a man in a dark suit and striped tie is partially visible. The scene is brightly lit, likely from a window in the background.

# Employee Advocates Once Again?

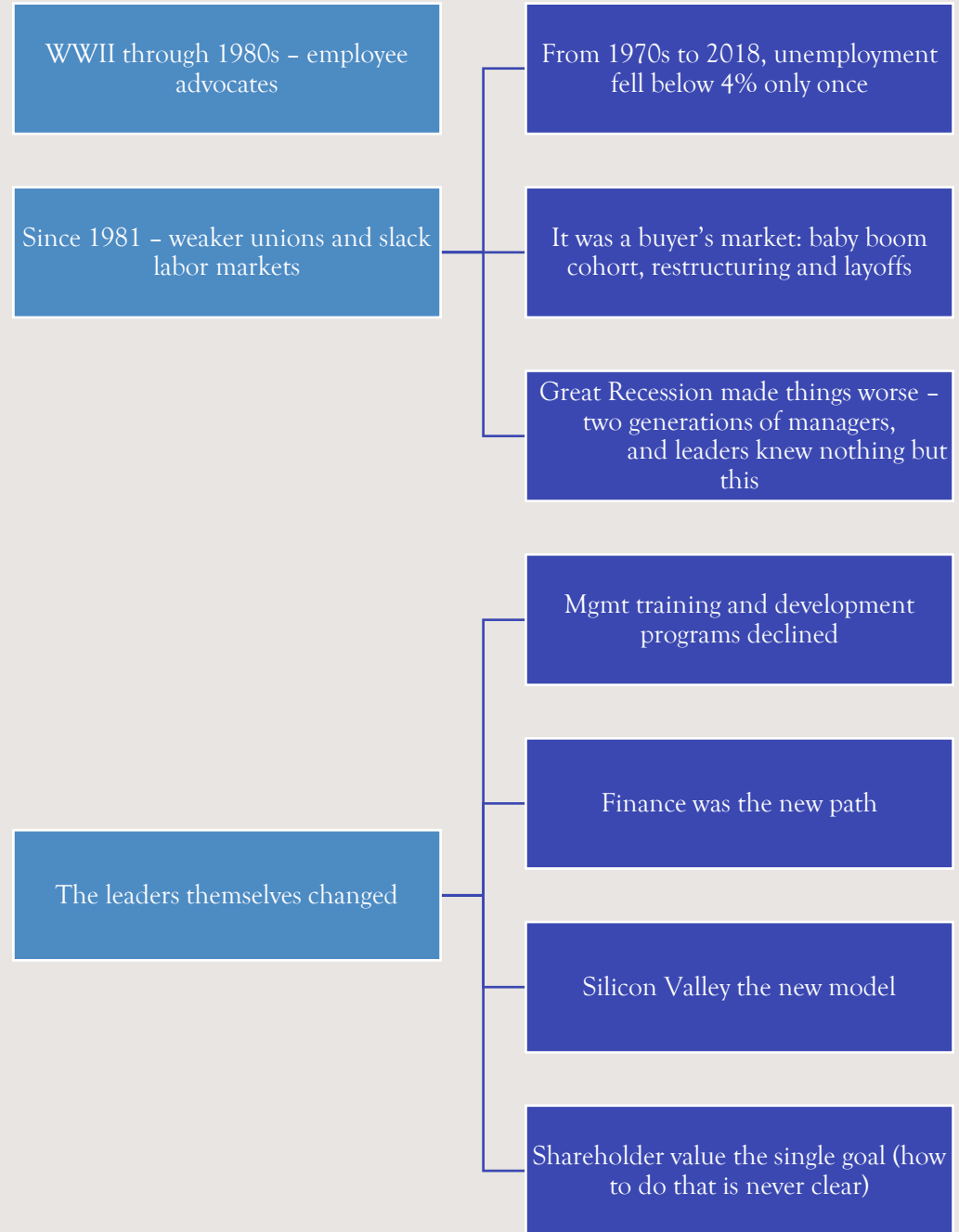
*(If not now, when??)*

PETER CAPPELLI

GEORGE W. TAYLOR  
PROFESSOR OF  
MANAGEMENT

THE WHARTON SCHOOL

# The historical context -



# What's Different Now?



Since 2018, unemployment has been below 4%



Labor Force growth slowed considerably



Productivity *really* lagged – 2010s, lowest decade in history



Q: Remember post-pandemic restaurants and stores closing because no workers??



No longer a buyer's market:  
hard to hire, hard to retain

# So what's the response?



Investor-driven layoffs - in tech, they just finished struggling to hire those people!



Real wages remain flat



Vacancies staying open longer - yet a one standard deviation increase in the length of vacancies is associated with 5 to 6% lower quarterly return on assets. Chen, Ciao-Wei and Li, Yue Laura, *Is Hiring Fast a Good Sign? The Informativeness of Job Vacancy Duration for Future Firm Profitability* (April 28, 2023). *Review of Accounting Studies*, Forthcoming, Available at SSRN: <https://ssrn.com/abstract=4445683>



17% of employees report that a lack of feedback is the main reason for wanting a job elsewhere. Kieran Snyder and Mallun Yen. *We analyzed 2 Years of Performance Reviews for 13,000 Workers. Here's the Proof of the Quality Feedback is Missing Employee Retention Down.* *Fortune*. October 9<sup>th</sup> 2023.

Only 46% of HR leaders say their function is contributing strategic value, 1/3<sup>rd</sup> less than other functions.

Sapient Insights Group 25<sup>th</sup> Edition Annual HR Systems White Paper.



A third of US managers now report that they received no management training of any kind either before becoming a manager or after.

The Lou Harris poll is reported in "More Than One Quarter of Managers Said They Weren't Ready to Lead," *CareerBuilder*, March 28, 2011, <https://press.careerbuilder.com/2011-03-28-More-Than-One-Quarter-of-Managers-Said-They-Werent-Ready-to-Lead-When-They-Began-Managing-Others-Finds-New-CareerBuilder-Survey>



Only 2.25% of corporate employees receive promotions per year.



29% of those who are promoted now leave within a month because promotions often come with no pay increase and with more work and responsibility. *The Hidden Truth About Promotions*. ADP Quarterly Workforce Research Report September 2023.

# We're burning out employees

- ◆ Kaiser Permanente and CVS “strikes” demanding vacancies be filled
- ◆ 83% of employees report being “emotionally drained from their work,” and 78% say that work stress has led to other mental health concerns. Adams, T & Nguyen, T (February 2022). Mind the Workplace 2022 Report: Employer Responsibility to Employer Mental Health. Mental Health America, Alexandria VA.
- ◆ Employees who report having at least one mental health symptom jumped from 59% in 2019 to 76% in 2021. 2021 Mental health at Work Report. Mindshare Partners. <file:///C:/Users/cappe/Downloads/Mind%20Share%20Partners'%202021%20Mental%20Health%20at%20Work%20Report%20-%20Final.pdf>.
- ◆ Stress costs money:
  - An American Psychological Association survey found that 71% of those who say they are stressed out at work also say they will look for a new job this year.
  - Other research shows that a “toxic culture,” which is synonymous with stress, was 10 times more important than pay in driving turnover.
  - An employer survey found that stress was far and away the biggest workplace issue affecting productivity with twice as many *managers* citing it as the second factor behind only pay in the difficulty recruiting new hires.

# Where are business leaders?



Largely clueless:



83% of top managers saying that their employees are “financially healthy” while only 55% of employees feel that way:  
metropolitan insurance 2024 state of workplace survey



C-Suite executives believe they routinely implement career advancement practices that their employees say never happen.  
Joseph Fuller and Manjari Raman Harvard Business Review



We’ve regressed from dot.com era

# And the New Business Model: Agile

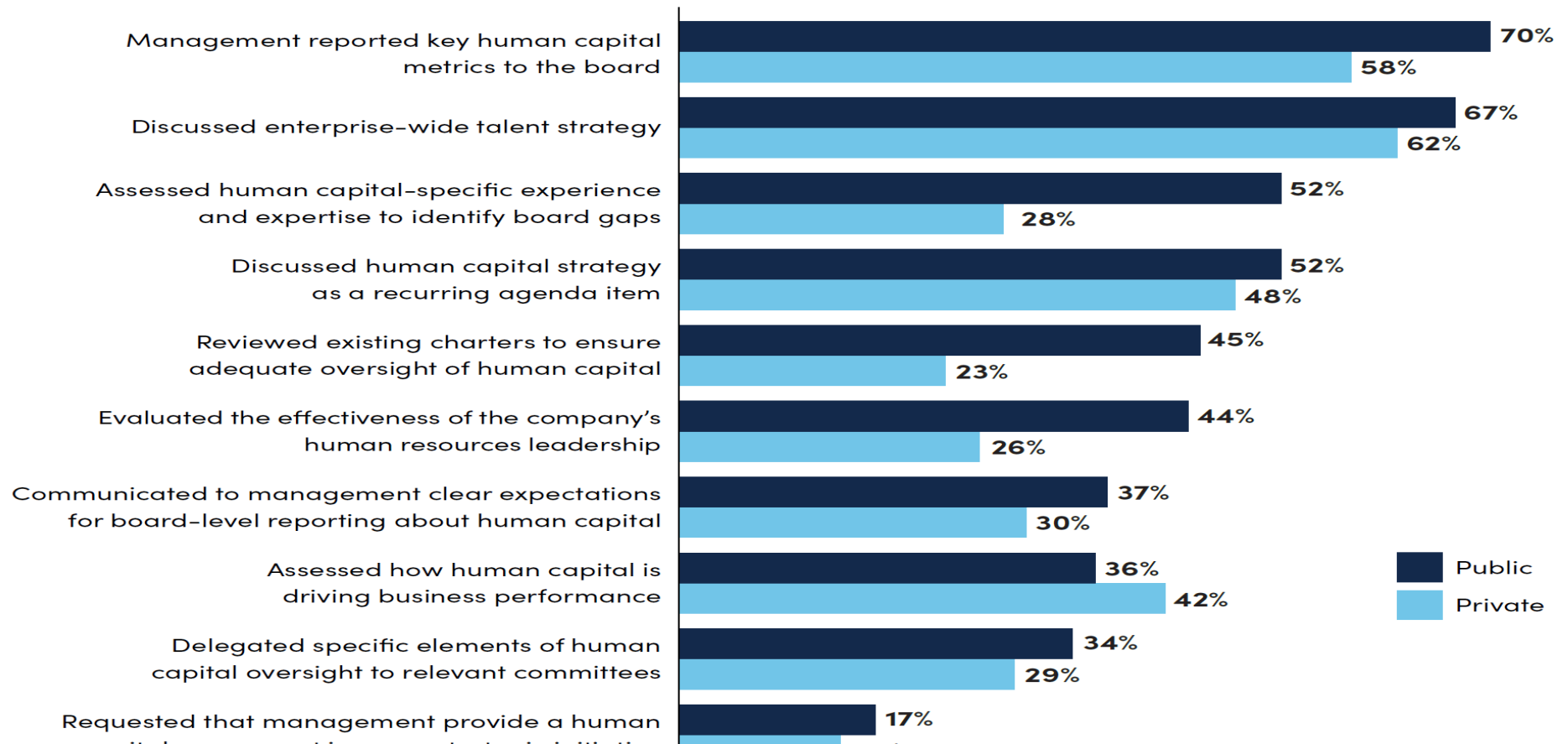
- Agile means continuous restructuring.
- Three-quarters of business leaders surveyed said that organizational agility was either the top or top-three priority, and 40 percent were currently conducting an organizational-agility transformation (McKinsey). A Conference Board survey found it was the #2 business priority.
- Employees experiencing changes like mergers and acquisition have greater use of psychiatric medication and suicide even if they were in the acquiring firm: significant organizational change of any kind is associated with greater psychiatric disorders and worse health.
- The problem of “change fatigue” that will only get worse with any agile push: 74% of employees were willing to get behind new initiatives in 2016, but that dropped to 43% in 2022.
- 78% of corporate restructurings failed to achieve their mission- how they engaged their employees being the key differentiator of success.

# OK, So It's A Slow-Moving Train Wreck....

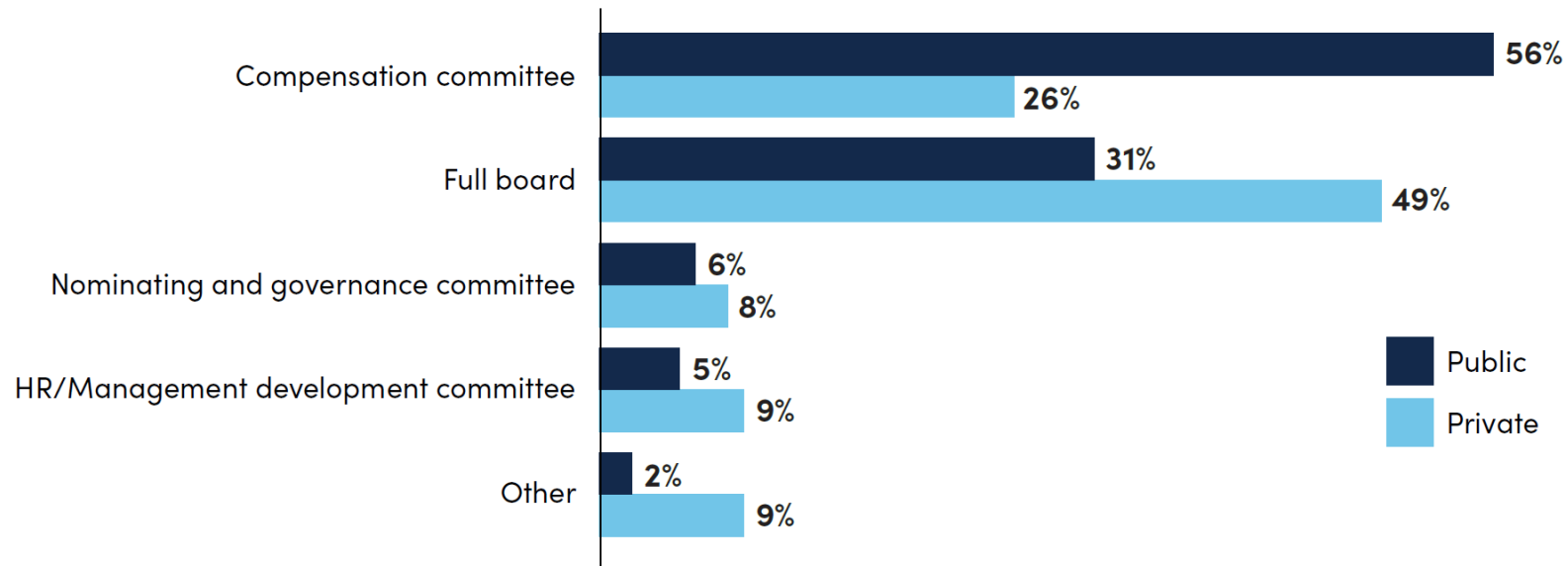
- How do we persuade top leaders to do something about it?
- CFO are hard to persuade: Their scorecard is about cutting  
*E.g., How do we get people back in the office when CFOs cut office space, moved us to open offices and then hoteling, which people hate.*
- CEOs need to know the real costs of turnover: layoffs and hiring replacements doesn't look so smart if we think turnover costs = \$40k per person rather than \$4k
- Know the real costs of stress on illness and healthcare costs, then on productivity:  
Decision Fatigue  
*Employees are becoming cynical about wellness programs: "chair yoga" to help you deal with the stress we're creating*

# Will Boards Help?

## HUMAN CAPITAL OVERSIGHT PRACTICES PERFORMED BY BOARDS

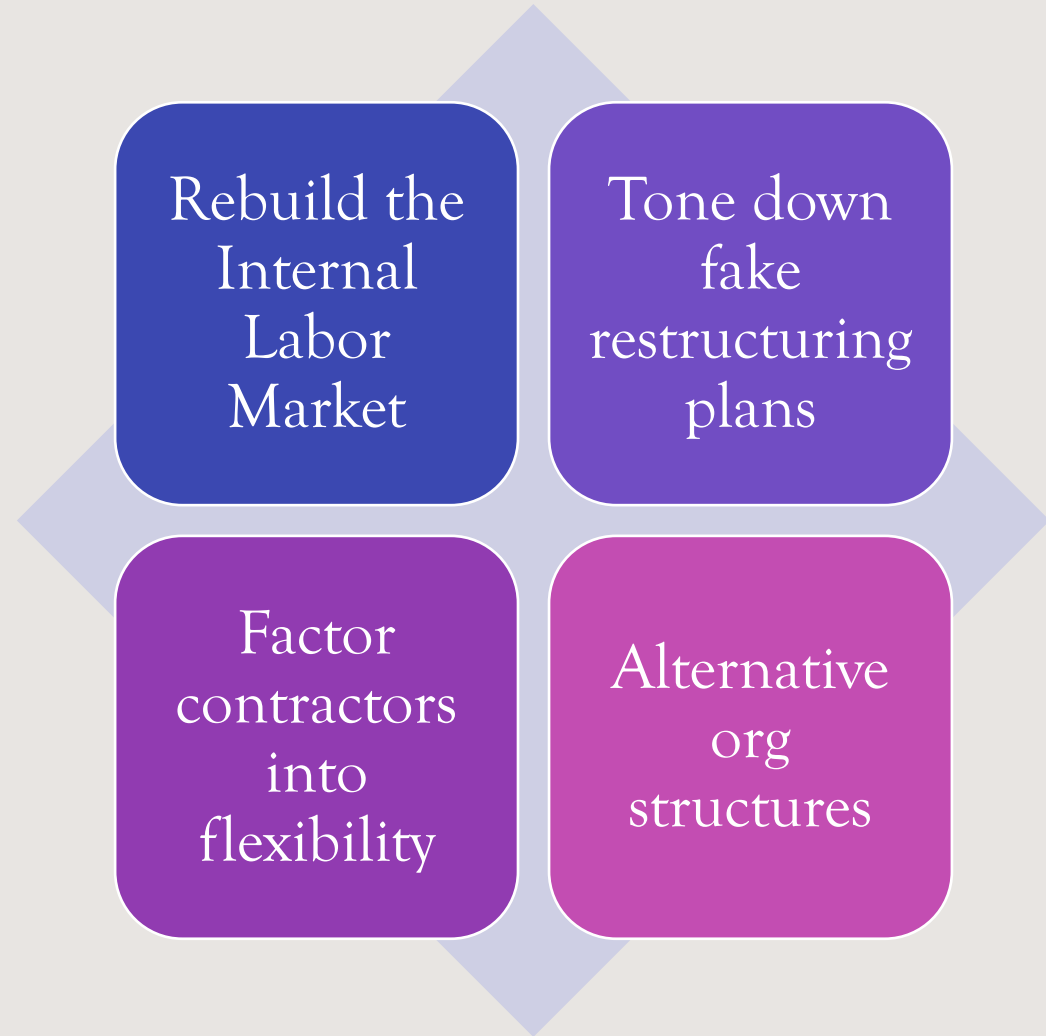


## HUMAN CAPITAL OVERSIGHT ALLOCATION



Q: To which group has the board allocated the majority of tasks connected to the oversight of human capital?

# What are the Options?



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3rd Thursday from 1pm – 2pm ET (60 minutes)	21%
2nd Thursday from 1pm – 2pm ET (60 minutes)	17%
Keep as is – every 6 weeks for 90 minutes	14%
Keep them every 6 weeks but reduce to 60 minutes	10%
2nd Thursday from 3pm – 4pm ET (60 minutes)	10%
3rd Thursday from 3pm – 4pm ET (60 minutes)	10%
2nd Tuesday from 1pm – 2pm ET (60 minutes)	10%
2nd Tuesday from 3pm – 4pm ET (60 minutes)	7%

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