

PEOPLE + STRATEGY

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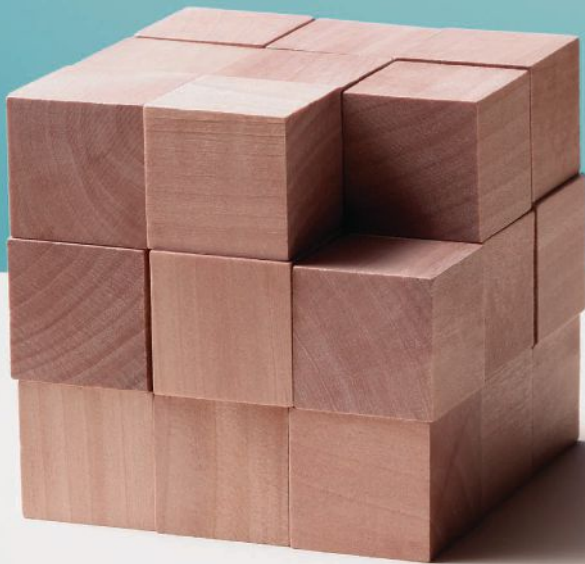
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Message from the President

Disruption Can Be Positive: Use It as a Catalyst for Change



Disruption can lead to innovation and growth ... pushing us out of our comfort zones and forcing us to adapt.

suffice it to say, the past few years have been full of challenges and disruptions. They have affected all of us, personally and professionally. People lost their lives and their livelihoods. But this phenomenon is not new. History has been shaped by countless disruptions and the ensuing challenges, and it's our job as leaders to equip our organizations and our people with the necessary skills to successfully overcome them. The future is always uncertain, but with knowledge and foresight, we can navigate the uncertainty together and emerge stronger.

It starts with adopting the mindset that disruption doesn't have to be negative. In fact, disruption can lead to innovation and growth if we embrace the challenge and harness these opportunities to benefit our organizations. Disruption is a catalyst for change, pushing us out of our comfort zones and forcing us to adapt and evolve. As leaders, we should strive to think outside the box and develop innovative solutions to the challenges.

A key disruption we're facing today is the rapid advancement of new technologies.

Artificial Intelligence, machine learning, and automation are transforming the workplace at an unprecedented pace. While these technologies bring increased efficiency and productivity, they also create the challenges of job displacement fears and skill set mismatches.

The key to navigating this disruption is prioritizing our employees and enabling our organizations through continuous learning and development. We must upskill, reskill, and even cross-skill our employees to incorporate AI into their skill bases. It's our responsibility as leaders to provide these opportunities to our workforce and support them in learning these new skills. Only by leveraging the combination of Artificial Intelligence with Human Intelligence will you be best positioned for success.

The changing nature of work is another disruption that has been evolving. The traditional 9-to-5 job has given way to flexible arrangements, remote jobs, and the gig economy. This shift requires us to rethink our policies to attract, retain, and engage top talent. As leaders, we need to proactively address these new realities to ensure our employees remain engaged and productive, regardless of where and how they work.

As we move forward, let's remember: Our greatest asset is our people, and our success lies in our ability to adapt, learn, and grow together. The future of work is here, and change is the only constant. But with strategic planning, adaptability, and resilience, we can navigate the disruptions and chart a path to a better future. Let's embrace these challenges together and create a better world of work for all. ■■

Johnny C. Taylor, Jr., SHRM-SCP
President and CEO, SHRM

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‘Which Assumptions No Longer Serve Us?’



In the months leading up to this edition of *People + Strategy*, a reoccurring question has been relentlessly drumming at the doors of the HR profession: What tools and assumptions for managing talent, developing leaders, choosing successors, managing unions, and thinking about compensation and incentives no longer serve us in today’s real-world context?

The answers may be different for every organization, but the patterns in the questions themselves seem to be useful across all organization types and sizes.

Alongside this question, the profession as a whole is witnessing the transition of an era. Recent retirements by giants in the field mean the baton in the profession is being passed from one generation to another. We hear from some of those retiring CHRO giants in this issue: Kevin Cox from GE (p. 8), Susan Podlogar from MetLife (p. 10), Katie Burke from HubSpot (p. 11), and Rhonda Morris from Chevron (p. 68).

Against this backdrop is an overarching question, often posed to us by my editorial board colleague Deb Bubb: “Which assumptions no longer serve us?” From the boardroom to the front lines, this question needs to be asked, and asked, and asked. In these pages, we put that question to a range of CHROs, board members, and thinkers in the field.

Risk has also entered the equation as a nontrivial variable. The very definitions of assessing risk have taken on new importance as global markets have become less stable and geopolitics remain fragile to the point of brittleness. Because of this growing presence of risk, we also interviewed the chief risk officer at BlackRock for his insights on risk assessment.

Passing the Baton

For the editorial board and for myself, this has not been an academic exercise. After five years in the role of executive editor, this is my last issue. I want to thank the editorial board members for their selfless, brilliant, humble, and vulnerable contributions to our discussions.

From the boardroom to the front lines, this question needs to be asked, and asked, and asked.

To Laura Morgan Roberts, Claudy Jules, Ernest Marshall, Judith Scimone, Deb Bubb, Brad Winn, Diane Gherson, Dawn Zier, Arnold Dhanesar, and Adam Bryant: You have been brilliant collaborators and friends. You have all lived up to the journal’s mission to be “usefully provocative” in service of the HR profession. I want to also acknowledge that it was Anna Tavis who brought me to the *People + Strategy* board in 2016. And when Marc Sokol took the editorial baton from Anna, he also role modeled how a good executive editor can help writers and thinkers evolve their pieces in collaboration.

So, where to from here? The SHRM Executive Network (EN) has taken shape over the past few years with a strong focus on fostering peer-to-peer senior HR discussions. Their mission intersects so closely with that of the journal that it’s only natural for them to take *People + Strategy* in house and root the journal in the community they’ve created.

I want to thank the many members of SHRM for their contributions, as well as the direct sponsorship of CEO Johnny C. Taylor Jr. in ensuring the journal was able to maintain its levels of thematic independence and editorial thought. I am optimistic about the journal’s future for honest discussions about the thorniest challenges we all face as leaders, working human beings, and organizations. ■■

Kind regards,

A handwritten signature in black ink that reads "David Reimer". The signature is written in a cursive, flowing style.

David Reimer, Executive Editor

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LESS IS

Three veteran CHROs describe the transformative power of eliminating HR concepts that are no longer purpose-built for this era.



MORE

The work of HR leaders is never done. There are always more responsibilities being heaped on their plates, and their C-suite peers often turn to them to solve the new problems that have made leadership so much harder in recent years. In addition, the function is overrun with “shiny new objects”—the latest research, technology, and approaches that promise to transform HR.

To shift the conversation away from “more,” *People + Strategy* asked three veteran CHROs who recently stepped down from their roles to share their insights on what should warrant less attention going forward. What are the concepts that are no longer built for this new era? What ideas are past their expiration date? And how should HR leaders rebalance their portfolios to provide greater focus and drive impact?



Surveys, Job Postings, and Interviews Are Prime Targets for Innovation

by Kevin Cox

CHRO for 25 years at the Pepsi Bottling Group, American Express, and GE

One of the defining features of the CHRO role—a job I held for 25 years across three companies—is that you are barraged with inbounds. You have to play a lot of defense, including dealing with the crisis of the day. There’s a lot of noise. But we are also expected to play offense. One of the most difficult aspects of the role is figuring out where you can get leverage and how you can make a difference.

My focus was always on how I could help drive organizational performance and make the company more capable, effective, and likely to meet its growth objectives. You have to create the space to do that, and you have to be clear about what you are not going to do and the shiny new objects you are not going to chase.

By personality, I’m a middle-of-the-road guy, and I’m deeply allergic to hype. I’ve always been wary of anything that smacks of hyperbole. Though I confess to starting out as skeptical, I do believe it is important to pay attention to new trends, because the last thing you want to do in this role is to get stuck in your path and ignore new ideas and approaches. I intentionally tried to keep the ball in the center of the fairway, even as external factors, including politics and broader societal challenges, have come to play a bigger role in organizations.

After stepping down recently from a quarter-century in CHRO roles, I think there are several areas that warrant greater skepticism because of their limited usefulness. In fact, these areas are ripe for innovation—we could use a few new and better mousetraps. In almost every case, I believe artificial intelligence will play a long-term role in elevating their impact.

Culture Surveys: AI Can Create Better Assessments by Analyzing More Sources

Companies have used these surveys—though they go by different names, including climate surveys and organizational health surveys—for decades. But I’ve long wondered about their accuracy. What are the most effective questions to ask employees to gauge how they are feeling about the company and the culture? Will people really tell you the truth? Do people who are inclined to fill out surveys have a particular bias, one way or another? I think culture surveys have been an imperfect method, but they are the only method we’ve really had.

Those gave way to innovations around more frequent “pulse surveys,” instead of a big annual polling of employees. Technology has evolved so that I can ask a handful of questions of my whole workforce every week or even every day. In theory, the process becomes more agile and more useful. But there remain fundamental questions about their accuracy, in the same way election polls are considered less accurate now than in the past. There can be big gaps between what people say, what they think, and how they behave.

That said, there is a persistent and legitimate interest in culture. Boards, for example, are seeing cultures through the lens of risk management. They are saying to CHROs, in effect, “Prove to me that your culture is healthy. Prove to me that your culture is not toxic. Prove to me that people will speak truth to power.”

I’ve been a board member, and I understand the hunger for those answers. But surveys are not only imperfect, they also are narrow. It would be like going for an annual checkup and only having your blood pressure tested. We owe our leadership, including our boards, a more complete picture of the strengths and gaps in our cultures, and AI could help provide a more accurate assessment of cultures by taking in and analyzing information from a lot of different sources.

AI could do “sentiment mining” from emails, internal message boards, and presentations. It could discern what’s going on inside a company with a greater level of accuracy than surveys. Obviously, there are some privacy questions that would have to be navigated. But I think it’s possible to get a more accurate read on culture by using tools that are becoming so effective at spotting patterns in seemingly disparate data.

Internal Job Postings: Do They Take Leadership Off the Hook for Hiring?

In theory, internal job postings are attractive—they democratize the internal marketplace and make it easier for people to raise their hand for jobs so they could broaden their skill sets. It’s great for employees, but I’ve also seen that there are downsides.

It is, in effect, a way to perfect mediocrity of talent across the organization because it takes leadership off the hook. I say that because I believe it is the job of leaders to decide the highest and best use of individual employees, rather than leaving it to them to decide what they want to do, often with far from ideal information.

Granted, leaders can’t do that in large companies below the most senior ranks of employees. And, in theory, internal job postings create a market where buyers and sellers meet. I’m in favor of that. But the problem I see today is the lack of rigor and specificity in job descriptions. Most are very generic, and they focus on activities and less on outcomes.

So the internal talent marketplace is a great concept, but I don’t think it’s being executed as well as it could be in many companies. It’s important to get this right. The next generations of talent want to be understood. They want to be seen, and they would like some sense of self-determination. They’re also more wary of bureaucracy.

So this era requires giving employees a greater sense of agency and expressing what they’re good at and what they want

to do. We need something that's more effective in helping their companies understand that better. This is probably another area where AI can make a difference by writing more sophisticated and complete job descriptions, starting with a greater focus on the expected outcomes of different roles.

360 Interviews: Technology Tools Often Add Bias and Remove Subtleties

To be sure, there is real value in understanding an employee's strengths and development needs from someone other than their supervisor. I'm a big fan of tools that will help people better understand how they are showing up with their peers and leaders, and whether there are gaps between what they intend and others' perceptions of them.

Given how matrixed so many organizations are becoming, understanding those gaps is increasingly important to help employees improve their self-awareness and performance, and to help them realize their potential. You also need a system that provides checks and balances for people who focus on managing up, at the expense of working well with their peers and managing their teams.

While I'm a fan of the concept, I'm not a fan of the computer-enabled tools that are often used to gather opinions about an employee. One problem is that employees are often allowed to choose the, say, 10 people to fill out a survey about them—in effect, cherry-picking the people who are likely to give better scores and ratings.

Another problem is that while these surveys have become more efficient for everyone—as they are shorter and less painful to complete—they lack nuance and subtleties. They are directional, at best. Finally, there is no shared standard among the survey group about what a particular score means. A score of three on some particular behavior, for example, can mean very different things to different people.

One solution is to hire a trained professional to do those 10 interviews, as they can press for specifics. The problem there, of course, is that this approach is expensive and difficult to scale beyond the ranks of the most senior leaders.

AI may provide a better long-term solution. Perhaps it could mine email exchanges and other communications be-

“Surveys are not only imperfect, they also are narrow. It would be like going for an annual checkup and only having your blood pressure tested. We owe our leadership, including our boards, a more complete picture of the strengths and gaps in our cultures, and AI could help provide a more accurate assessment.”



The Power of 'I Will ...'

Over my career in the CHRO role, the most effective tool I used to help sort through what mattered most was to write down what I considered the purpose of my job, starting with “I will ...”

I never showed that to anyone else, including my CEOs, because it was a contract that I wanted with myself and that would help guide my decisions every day. It's what I hoped people would say about my accomplishments in the role once I moved on.

If you think about that statement on the front end and then manage your time to that, it helps you stay focused. You'll not only be more likely to accomplish something special, but you'll also be happier and more content in the pursuit of those goals. —Kevin Cox

tween people for insights and use them to provide more texture and nuance to 360s. I'm confident that AI ultimately will help make 360s more meaningful and valuable.

Recruiting: Tap into AI to Conduct Early-Stage Job Interviews

I believe the final step in a hiring process should always require a meeting—ideally in person, rather than virtual—between the hiring leader and the candidate. Nothing can replace that. There has to be some chemistry, and the person who will be managing the new employee has to feel accountable for their decision. If they are going to bet on someone, they need to do everything they can to help the person succeed.

That said, there are ways that AI could easily get more quickly to the core questions that you might have about somebody in the initial rounds of interviews to help narrow the candidate pool. It's not about trading messages with a bot; I doubt that could create a good experience. Perhaps that AI conversation could be done with avatars. The point is that I believe early-stage interviews could be done more effectively through AI. They would be able to guide the conversations in ways that probe more deeply on different topics and areas of expertise, and thereby avoid the problem of a recruiter interviewing everyone the same way.



Set Aside Incremental, Low-Value Work to Tackle High-Impact Transformation

by Susan Podlogar

CHRO of MetLife from 2017 to 2024

Six years ago, not long after I became CHRO of MetLife, I was asked in an interview how the role of chief human resources officer had changed. My answer at the time: “HR is expected to provide macro solutions rather than micro solutions. It’s moving to optimizing the organization, not just a function or process, and moving to maximizing the productivity of the organization as an integrated whole.”

Now, after stepping down earlier this year from that role, my ambition for the function remains the same. While we have made some incredible progress, there remains a persistent gap between what is needed from HR today and what HR consistently delivers.

To be sure, HR moved to center stage during the pandemic and met the challenge, working with colleagues across the organization to weave together the tapestry of an integrated, caring solution. This was a defining moment, a proud moment. But it was more of a moment than the beginning of systematic change.

The pressures on CHROs have not let up, and in fact have intensified. All employees, including our C-suite colleagues, are looking to their HR leaders to provide clarity, direction, and stability in these tumultuous times. The challenge of optimizing the organization is growing exponentially.

How do we do that? The answer is not to simply work harder; we are at capacity already and cannot absorb more into our current portfolio. We need a rebalancing—letting go of or decelerating some outdated approaches while accelerating others, plus making a fundamental mindset shift.

What We Need to Decelerate or Leave Behind

Processes with low value-to-time-invested ratios. Two examples of this come to mind: performance review calibration and compensation planning. Both consume enormous amounts of time with actions that primarily look in the rearview mirror rather than preparing staff or the business for the journey forward.

We need to view this work through the lens of whether the time and effort expended truly creates value for the business. These processes, among others, are ripe for technological advancement. HR teams should devote some offsite time to reviewing key processes and determine if they are adding differentiated value to the business and whether the time required is worth the effort. If not, identify the action plans to streamline.

Traditional talent management. I spent many hours in succession meetings discussing the strengths and development areas for senior executives, and then setting a development plan for them, including exposure to more opportunities. The next year, we often saw incremental improvement. Sound familiar?

While these conversations can be helpful, they are no longer sufficient. Succession should be a systematic, intentional desti-

nation planning process with intensified talent rhythms. That starts with clarity around a handful of foundational questions:

- What is the destination role we see for this person?
- What is the time frame?
- What specific role or roles will they need to get there?

This type of detailed planning increases the complexity of the talent discussion. However, a more intentional and realistic approach will lead to better preparedness for critical talent.

Incremental programs. There is no room or time in HR’s portfolio anymore for incremental, customized programs for specific groups, such as a recognition program for legal affairs or a new diversity program for IT. Leveraging the scale of the enterprise now is paramount.

The work ahead for HR should be transformative and not incremental. It means applying a broader lens to the organizational construct, preparing talent, defining skills, integrating new technology, and energizing the culture—all in service of realizing the potential of the organization.

These are examples of processes that have long been perceived as value drivers for the HR function. But these and others should all be pressure-tested with the same question: Are they ultimately the value drivers of the collective organization? Ideally, with less time required for these outdated and incremental approaches, HR leaders will have more bandwidth to focus their energies elsewhere.

Higher-Impact Work to Accelerate the Business

Portfolio management. This muscle requires the discipline to make trade-offs and reallocate HR resources. It requires a selflessness in HR teams to start with what is best for the organization, rather than protecting focus areas. The payoff is worth the effort, even if it requires a few tries to help the team build this new muscle, with greater credibility for the function. Priorities get funded, and trust and enterprise impact become by-products of deep conversations about organizational priorities.

Technology/AI. We know that technology—and AI specifically—can shape new ways of working, add value, and create efficiencies. But to reap the full benefits of technology’s possibilities, HR must be at the forefront to influence how technology is integrated. If HR sees technology as someone else’s work, HR will have missed a huge opportunity. To drive these discussions, rather than follow others, HR leaders should be students of technology and how it can influence work, strategy, and culture. Focus on opportunities that will have the greatest business impact and look for quick wins to build momentum.

Talent marketplaces. I have seen several leading organizations implement progressive, AI-driven talent marketplaces to create internal gig economies. In my years in HR, this democra-

tized talent practice has had profound positive outcomes for the employee experience matched with organizational needs. Those outcomes include busting the hierarchy of access to development, surfacing dormant skills, and creating a culture evolution.

Burnout. HR leaders are exhausted from all the demands on the function in the last several years, and those pressures show no sign of slowing down. Plus, we have to be “always on” for others who are dealing with their own fatigue. After retiring recently, I realized that I was oblivious to the impact of this “slow burn” until I really rested.

To show up with energy for others, we must replenish ourselves first. I am an ardent student of human performance, so when I retired, I did every baseline test possible: bloodwork, DEXA scan, Vo2 max, resting metabolism, etc. Find your baseline, commit, and watch your progress. Personal energy establishes the roots of individual and organizational performance.

Coaching. I was a competitive swimmer when I was younger, and I fundamentally believe that coaches can bring out the best in us and help make us ready for the future so we can better contribute to the team. Coaching is fundamentally about potential. So why is coaching in business often seen as selective and remedial? We are doing better lately, as I have seen the quality and impact of internal and external coaching go up. But we can do more to democratize coaches for all.

The Need for Proactive Thinking

This rebalancing of focus and priorities for the HR function will require a new mindset that leads to optimizing the entire organization rather than playing a supporting-actor role. That requires proactive, next-order thinking. We must always be looking around corners and sharing our point of view about

“Holding up a mirror to where you are spending your time is the greatest and most critical gift you can provide for your HR function, employees, and company.”

what the organization should be paying attention to and how to execute against those priorities.

We need to have a fingertip feel for the skills needed from the next generation and how those map to their expectations. We have to integrate technology to create meaningful efficiencies and customer value that will bring out the vitality of the organization.

Ultimately, it is about having a systems mindset so HR creates end-to-end solutions that would otherwise be suboptimized in narrow swim lanes. HR is at the forefront of defining the work and releasing the energy of the organization within this systems context. This is where true value for the business is created.

The challenge comes down to the specific priorities in your HR portfolio and how you are showing up to the business. Holding up a mirror to where you are spending your time is the greatest and most critical gift you can provide for your HR function, employees, and company to help everyone thrive in these unprecedented times.

This is the best time to be in HR, and one of the most difficult times to be in HR. For those willing to break the traditional HR lens, the future is yours. You will shape the profession, you will shape the experience of the next generation of employees, and you will shape the future of business.



Rethink Generic Culture Documents, Staff ‘Happiness,’ and Work-from-Anywhere

by Katie Burke

Former chief people officer of HubSpot

HR leaders have a front-row seat to watch trends in management and leadership come and go. That article that went viral? We read it and sent it to our teams. The podcast where a founder reveals their best hack for hiring hundreds more engineers? We listened and added the insight to our approach.

I’m old enough to have had Jack Welch as a professor, and I’ve seen a lot while overseeing HR at HubSpot for more than a decade. Now that I’ve had a few months off to rest and reflect on that time—before moving on to my next CHRO role—I’m more convinced than ever that a few long-held beliefs and approaches in HR are past their prime, including:

1. Culture Documents that Try to Appeal to All

After the success of the original and widely lauded Netflix Culture deck and the HubSpot Culture Code (for which I have great personal affection), more companies started codifying their cultures and publishing their values. The impulse is a good one, but the problem is that they all started to sound the same.

In an effort not to rub any candidate the wrong way, most culture decks adopted similar language, as in, “We want to work with smart people with low egos on high-impact problems with urgency and inclusion.” Can you think of a company or someone you would want to work with who doesn’t want that? Exactly, and that is the heart of the problem.

In the musical “Hamilton,” Alexander Hamilton asks his archrival Aaron Burr, “If you stand for nothing, Burr, what will you fall for?” The same question should be asked of companies about their cultures. If you try to appeal to everyone, the culture document will have less impact as a veritable sorting hat for candidates and as a guidepost to help your leaders make decisions.

I think we’ll see more companies do what MongoDB did in outlining specifically what their culture values are not, along with a return to more opinionated leadership principles that help meaningfully differentiate behaviors for candidates and employees alike.

A good indicator of success should not be the headlines or number of views a deck generates, but rather whether it creates a meaningful moment of reflection for current and prospective employees on whether it’s the right place for them? Cultures that appeal to everyone feel better on launch day but create way more friction down the line because they don’t actually inform behavior or create meaningful strategic differences for the company.

2. A Singular Focus on Employee Happiness

Over the past 10 years, there’s been a core focus on employee engagement, employee happiness, and employee experience. I believe elements of this focus will remain, but not without an equally important focus on impact, productivity, and business results. That will include paying more attention to what top talent expects from their employers and more tools to help managers focus on and discuss productivity in ongoing conversations with direct reports. The global adoption of AI will increase the speed of this change.

Employee happiness is at a four-year low, largely driven by significant layoffs, frustration around lack of career growth, and differing opinions on return to work. Rather than reflexively seeing those as problems to be addressed, CEOs and CHROs are now pointing out that work is ... well ... work. Employee engagement is critical, but it has to be seen as a driver of productivity and impact, rather than a standalone goal. This shift includes a heightened focus on not just measuring performance but also taking action to hold persistent underperformers accountable.

I anticipate that more boards will be scrutinizing metrics to track underperformers—such as the number of low performers still with the organization after, say, two evaluation periods with subpar reviews. This tougher standard—whether leaders can make the tough calls on people—may also become a greater component of how executives and leaders across the business are assessed and rewarded. Given the faster pace of business, organizations cannot afford the implicit tax they pay in carrying low performers.

“Given the faster pace of business, organizations cannot afford the implicit tax they pay in carrying low performers.”

3. The False Promise of Work-from-Anywhere

The phrase was embraced as a tagline by many companies during the Great Resignation to attract talent in a competitive market. The premise sounded amazing: Do yoga in Bali while logging in from your laptop! What could possibly go wrong?

This was a false promise from the start. I’m a fan of remote work and believe it can be successful at scale in many organizations. But promising work from anywhere is not tenable for most organizations and ignores many important local employment laws, to say nothing of personal tax obligations, work visas, and other nuisances of compliance and legality.

But even with the help from tech solutions, this promise ignores the practical realities of collaborating across time zones, meeting the needs of customers in core regions, and managers navigating conversations around output and expectations.

To be clear, I’m not predicting the end of remote work. I think it will continue to exist and thrive long-term, but in smaller pockets and with more restrictions than during the Great Resignation. This topic will inevitably result in more teeth-grinding frustration among employers and employees,

The tug of war is playing out in headlines, such as Dell saying that remote employees will not be eligible for promotion and that Salesforce, Apple, and Google are tracking badge swipes. I suspect companies will sharpen their policies over time to clarify the flexibility they offer and the implications for career growth, leaving employees to vote with their feet. But the days of “hoping” people will be excited to battle traffic and be back in person “for the good of the company” are gone, as are false promises that your time zone, hours, or work location has no implications for your career growth or ability to contribute to a team.

Tailor Your HR Messaging to the Decline in Employee Attention Spans

With these three macro trends expiring, why not take advantage of this moment to update our approach on communications as people leaders? Marketers focus a lot on attention spans. Studies show the average amount of time an individual can focus on something has declined from 2.5 minutes to 45 seconds. And yet, when it comes to sharing updates on benefits, change management, or instructions on performance reviews, most core HR teams still communicate in a manner closer to “War and Peace” than TikTok.

With the shortening of attention spans and the massive adoption of AI and audio and video content, I think we’ll see the days of 14-page PDFs coming to an end, replaced by employee-generated summaries of key takeaways or by technology that scans and contextualizes key organizationwide initiatives.

One of my longtime engineering colleagues at HubSpot said it well: “When you’re communicating with engineers, we generally are skeptical of what we are reading and wish it was a third as long and five times as clear and less corporate.”

So many trends in management and leadership get recycled over the years, but I think there are some clear practices that have truly passed their prime and merit retirement. And, like a good spring cleaning, parting ways with them will leave room for new and innovative ideas to help us meet the business needs and employee needs of the future, not the past. ■■

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OUT WITH THE OLD

**Why It's Time to Discard
Outdated Leadership Advice
to Meet Modern Realities**



Traditional leadership advice and training models are quickly losing their relevance amid today's hyper-fast pace of change. The former author of *The New York Times*' Corner Office column shares his vision for the future of leadership, based on interviews with more than 1,000 CEOs, CHROs, and other corporate leaders.

BY ADAM BRYANT

Given the tectonic shifts across the corporate landscape and the world at large since the pandemic, I have become increasingly convinced that the leadership field needs to act on the advice it often shares with others: Disrupt yourself to ensure that you remain relevant and useful for this new era.

To be clear, there is nothing overtly broken about the leadership field. After all, one of its unusual features is that you can say just about anything about leadership, and you will be right on some level.

Another challenging aspect of the field is that it's hard to pin down immutable truths. That's because leadership is more like a kaleidoscope of ever-shifting variables, including the personality of the leader, the personalities

of the people being led, and the particular challenge the organization is facing. The idea that some cookie-cutter leadership approach will work in vastly different contexts just doesn't make sense.

All of this puts HR leaders in a difficult position. After all, they are responsible for choosing and advocating for a particular approach—with their CEO, their board, and managers across the company—to develop and assess leaders in their organizations. And they must do it in a way that seems custom-built for their culture, steering clear of trendy buzzwords and the tools and research of yesterday. Unless leadership adapts, the field that serves HR executives risks being seen as not purpose-built for this era.

Benchmarks and Best Practices Belong in the Rearview Mirror

My concern comes from a place of caring deeply about effective leadership, an area I've explored closely for the past 15 years. During that period, I have interviewed more than 1,000 leaders about their key leadership lessons for the Corner Office series I created at *The New York Times* and now continue on LinkedIn. I've also written four books on leadership, including two for Harvard Business Review Press. For the last seven years, I have worked inside companies of all sizes as a consultant, a purview that provides powerful reminders of the critical importance of strong leadership to the long-term success of companies.

My consulting work has also reinforced my sense that there is growing skepticism about the leadership field. In my conversations with HR and talent leaders, C-suite executives, and board directors, I hear many people saying the leadership playbooks and approaches of the past are no longer working. They point out, for example, that the longstanding importance of knowing "best practices" is a rearview-mirror exercise and should be replaced with a focus on developing new approaches.

"I avoid using the term 'benchmark' because I think it's outdated and it's limiting," said Kitty Chaney Reed, chief leadership, culture, and inclusion officer at IBM. "I don't want to be on par with someone else. I want to raise the bar in a way that is informed by, but not limited by, information about what others have done."

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The idea that some cookie-cutter leadership approach will work in vastly different contexts just doesn't make sense. ... Unless leadership adapts, the field that serves HR executives risks being seen as not purpose-built for this era.

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And why, they ask, are many leaders still being assessed against long lists of table-stakes competencies and graded against a historical database of other executives who led in a very different world? The implied level of precision in these assessments isn't realistic, they note.

"I think companies too often overengineer succession in pursuit of an unachievable sense of certainty," said Matt Breitterfelder, global head of human capital at Apollo Global Management. "All candidates are a mix of strengths and weaknesses that are pretty easy to sum up. The more interesting question is, are they leaders people want to follow?"

The 4 Main Categories of Outdated Leadership Advice

So how do we raise the bar? It starts by opening up a broader debate and discussion about what good leadership advice looks like and why—and clarifying what approaches have outlived their usefulness. My goal in this article is to examine what "good" looks like in the leadership field and what could benefit from more pressure-testing, so that what rises to the top better serves the HR and talent leaders who are charged with developing the next generation of leaders.

Let's start with the kinds of leadership advice that fall short. What are some approaches that once felt novel and new—and had a good run when the world was a more stable place—but perhaps are no longer purpose-built for this era? What are some approaches that warrant a more skeptical second look?

My list identifies four categories or subgenres of archaic leadership advice:

1 Unpacking, without the insights. The first category consists of frameworks that deconstruct, rather than simplify, the complexity of a leadership challenge. We've all seen those "how-to" articles and white papers that promise a seven-part playbook for navigating some leadership challenge. Too often, they simply unpack the challenge into its component parts without providing any insights on how to move forward effectively.

Is there value in taking apart a challenge so you can work through it in smaller chunks? Sure. But there is a world of difference between deconstructing a problem and offering some topspin advice for how to navigate the challenge.

The field of anatomy provides a useful analogy. Entry-level courses teach about the different parts of the human body. But how do they work together as a system, and what happens when problems start? That is a much more complex and nuanced field of study than simply labeling body parts, which is what we see, in effect, too often in the leadership field today. It may be helpful, but it is not very useful.

2 Unrealistic lessons. The second includes leadership theories that attempt to extract an insight from a particular context but are too rigid, and therefore break down when applied to real-world situations that involve actual human beings operating in contexts with many variables. The culprits include studies that isolate one variable—say, a change in hiring practices—that, voila, led to better performance. We've all seen too many Venn diagrams that aspire to capture leadership in a

FUTURE-FOCUSED LEADERSHIP



BENCHMARKING

“I avoid using the term ‘benchmark’ because I think it’s outdated and it’s limiting. I don’t want to be on par with someone else. I want to raise the bar in a way that is informed by, but not limited by, information about what others have done.”

—Kitty Chaney Reed, chief leadership, culture, and inclusion officer at IBM



SUCCESSION

“I think companies too often overengineer succession in pursuit of an unachievable sense of certainty. ... All candidates are a mix of strengths and weaknesses that are pretty easy to sum up. The more interesting question is: ‘Are they leaders people want to follow?’ ”

—Matt Breifelder, global head of human capital at Apollo Global Management



AGILITY

“The speed with which you go from awareness to action determines how great a performer you are. People can spend too much time trying to defend how and why they did everything right but it didn’t turn out the right way.”

—Wendell Weeks, CEO of Corning



CULTURE

“No matter what people say about culture, it’s all tied to who gets promoted, who gets raises, and who gets fired. ... You can have your stated culture, but the real culture is defined by compensation, promotions, and terminations. Basically, people seeing who succeeds and fails in the company defines culture. The people who succeed become role models for what’s valued in the organization, and that defines culture.”

—Tae Hea Nahm, managing director of venture capital firm Storm Ventures

few overlapping circles. And again, they are never wrong. But their usefulness is limited, given the gap between how the world should work in theory and how it works in practice.

3 One-size-fits-all statements. A third outdated type of leadership advice is pronouncements about leadership that oversimplify the complexity of a challenge by suggesting a “one thing” approach, as in “Leadership is all about ...” You can end that sentence with any number of words—humility, courage, communication, and trust. You can even marshal enough anecdotes and research to argue your “one thing” positions in a book.

But leadership is never about one thing. It’s a series of tricky balancing acts and knowing the right response for a particular moment.

4 Word salads and the “Barnum effect.” Finally, there’s a grab bag of other approaches that lead me to furrow my brow. Like when people try to coin a phrase by putting a new adjective in front of the word “leadership,” such as strategic leadership, or human leadership, or positive leadership. The test I apply to these phrases is, “As opposed to what?” Nonhuman leadership? Negative leadership?

Another brow-furrowing approach is when people start using words that few people use in everyday conversation to suggest that they have tapped into a higher conceptual plane, including some of the categories in the Hogan assessment tool, such as “commerce,” “affiliation,” and “aesthetics.”

Speaking of assessments, we should all be wary of anything that smacks of the “Barnum effect,” named after showman P.T.

Barnum of Barnum & Bailey Circus. It refers to our tendency to accept certain information as true even when the information is so vague that it's of limited value. Yes, it's useful to know the foundational history of the assessment field, including the five-factor model of personality that evolved decades ago and underpins much of the psychometric field. But it suffers from the same problem of deconstructing complexity that I described earlier.

Human beings are infinitely complex, and so the notion that you can neatly categorize someone's personality and behavior into tidy labels, and then use those to predict their leadership potential, is naïve. They have their place—they are fun icebreakers for team bonding, and they may even help start a conversation about self-awareness. But any veneer of scientific rigor is just that. These are theories and models, and they should carry warning labels for anybody considering using them for serious assessment work.

The Three Currencies of Good Leadership Advice

So what does good leadership look like today? Here is where I set the bar: For leadership advice to be useful, it ideally should check at least two of three boxes (bonus points if it checks all three).



BOX 1: Does it provide an actual insight?

For leadership training and advice to be useful, it should make you feel smarter about how the world works, whether it's about strategy, navigating disruption, human behavior, leading teams, or building corporate culture. The insight should be broadly applicable, not just something that is limited to the narrow context of one company or one leader's experience. The insight can be based on hard-earned wisdom or research, but it should have the feeling of a Swiss Army knife that is useful in many situations and will make you a more effective leader or manager for years to come.

Think of the best leadership insights you've learned over the years. Which are the ones that you've shared time and again when you've coached and mentored others? Those are the insights that get to the essence of a challenge and illuminate it in a way that will guide your thinking in the future.

For example, Tae Hea Nahm, managing director of Storm Ventures, a venture capital firm, forever changed my thinking about how companies create culture, as well as the relative impact of the commonplace exercise of drawing up lists of corporate values. "No matter what people say about culture, it's all tied to who gets promoted, who gets raises, and who gets fired," he said. "You can have your stated culture, but the real culture is defined by compensation, promotions, and terminations. Basically, people seeing who succeeds and fails in the company defines culture. The people who succeed become role models for what's valued in the organization, and that defines culture."



BOX 2: Is there a compelling and memorable story that brings an insight to life?

As human beings, we are wired to remember ideas through stories. They give the insights dimension and texture while making them sticky, memorable, and credible. It's not

just something that somebody read in a book. They lived the experience, and the story shows the long-term impact of that insight.

For instance, we've all heard that it's lonely at the top. But the expression doesn't capture the sheer weight of responsibility and accountability that comes with the top job. I think often of the story that Penny Herscher, a veteran tech leader in Silicon Valley, shared with me about stepping into her first chief executive role when she was 36 years old. She thought she was prepared. After all, she had held marketing, business development, and general manager positions at her previous company, and she was comfortable taking on difficult challenges. But that confidence soon evaporated.

"After six months, I realized I had no clue how to be a CEO," Herscher said. "I just kept finding myself in situations where I didn't feel like I had the experience and the tool set to know what to do, and I kept waiting for permission to make decisions."

Then one of her board members took her aside to give her some coaching. "You're looking to the board for permission," he told her. "You need to understand that we're going to give you advice, but you have to make your own decisions. Because if we give you bad advice and you follow it, we'll still fire you."

Herscher's takeaway from that? "It was very clarifying for me to realize, 'OK, this is it. The buck really does stop here.' "That was a huge inflection point for me. I just had to grow up all at once. As CEO, you cannot blame anybody else. You own it."



BOX 3: Is there a tool, tip, framework, technique, or approach for putting an insight into action?

You should feel like you just added something new and powerful to your leadership toolkit that you can use right away, for yourself and for your team.

One of my current favorites came up in an interview with Wendell Weeks, who has been the CEO of Corning for 19 years. Given his long tenure, and the notable growth he led over roughly two decades, I asked him how he scaled himself as a leader and also his organization. His answer provides a powerful approach for dealing with change in just about any context:

"One tool we use when adapting to change is called the 'Triple A Loop.' The acronym AAA stands for awareness, acceptance, and action. It starts with the idea that you have to be aware of the world around you at all times, because you are often wrong. If I'm super-honest with myself, I'm right about 50% of the time when it comes to predicting the future. So you have to be able to change and adapt, especially in today's rapidly evolving business environment. Then the next step, acceptance, is the hardest. It requires humility. Until people accept that they got something wrong, then they can't move to the next step, which is action. The speed with which you go from awareness to action determines how great a performer you are. People can spend too much time trying to defend how and why they did everything right but it didn't turn out the right way."

How HR Can Create a New Leadership Framework

These examples all hit the sweet spot of powerful leadership advice. They are specific but are also broadly applicable. They feel real, rather than theoretical or academic. They are not

didactic or overly prescriptive. They are the ideal source material for how we all learn to lead—by piecing together lessons from what we experience ourselves and learn from others.

The best leadership advice is, in essence, wisdom. It slows down the world around you and provides confidence that you know how a particular situation is likely to play out. Even better, it gives you the tools to help steer the outcome.

For the HR leaders who are responsible for developing the leadership frameworks in their organization, what's the playbook for developing a meaningful set of insights, stories, and frameworks that will be adopted by leaders and managers across the organization and help drive performance and results? The risk, of course, is falling into the trap of management by anecdote. The last thing an organization needs is for the CEO to return from an external meeting, eager to adopt some insight they just heard as a new foundational pillar for the company.

The process of crafting real-world leadership development needs to be more intentional, starting with a blank slate and important questions that can only be answered in context:

- What are the leadership X factors that will help our company win in the future?
- What aspects of the culture need to be reinforced because they are a competitive advantage?
- What cultural weaknesses do we have that require an explicit counterweight to encourage new behaviors?
- What does every member of our top leadership team believe are the most effective insights, stories, and frameworks that will help drive performance at the company? (Push them for specifics to understand what their answers mean in practice.)
- What are the patterns and common themes among their answers?

From those conversations, you should be able to understand initial gaps in perception, articulation, or actual leadership perspectives, then derive the core insights and frameworks to put those insights into action and drive a new level of alignment. In effect, you are helping your organization create a leadership culture, not just develop its individual leaders.

To help communicate this set of expectations (and make them stick), ask everyone on the leadership team for their own personal stories that connect to these ideas and help bring them to life, which in turn will help them cascade these ideas throughout the organization.

To test whether these insights will land well with all employees, bring together focus groups across the organization to get their input before rolling out the ideas more broadly. The entire process is largely driven by gathering qualitative data that will help ensure that the ultimate leadership framework you choose feels built by and for your organization's unique context and culture. And you will have helped do it in a systemic way.

Done right, the payoff will be to provide your company with a metaphorical centerboard of a sailboat—to keep your organization on track amid all the waves, winds, and currents that threaten to throw you off course.

That's how Wendell Weeks helped scale Corning over two decades with his "Triple A Loop" framework of awareness, acceptance, and action. That's how Satya Nadella helped shift

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The best leadership advice is, in essence, wisdom. It slows down the world around you and provides confidence that you know how a particular situation is likely to play out. Even better, it gives you the tools to help steer the outcome.

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Microsoft from a culture of “know-it-alls” to “learn-it-alls.” That's how Jeff Bezos kept the innovation engine humming at Amazon with his idea of “Day 1” thinking.

Insights. Stories. Frameworks. Tools. Long before leadership blogs, books, podcasts, consulting firm white papers, and Ph.D. programs in leadership, this is how human beings learned from one another. People shared lessons, the stories of how they learned them, and what they did differently because of those lessons.

We need to get back to that tried and true and intuitive approach to sharing leadership advice, and we need to let go of theoretical, cookie-cutter, and pseudo-scientific models. After all, this profession has a crucial mission and purpose: to better prepare leaders to take on the challenges of today and tomorrow.

To meet the moment, the leadership field has to keep adapting and innovating, partly by casting off old approaches that don't work anymore. It's time to change the conversation. ■



Adam Bryant is senior managing director of The ExCo Group and author of *The Leap to Leader* (Harvard Business Review Press, 2023) and *The CEO Test* (Harvard Business Review Press, 2021). He previously created and wrote the Corner Office column at *The New York Times*.

the
ART
and
SCIENCE
of
RISK

A Q&A with the chief risk officer of BlackRock, the world's largest asset management company, on how leaders need to adapt their decision-making for a changing world.

Ed Fishwick has been weighing probabilities, uncertainties, and risk his entire professional life. As the chief risk officer at BlackRock, he is responsible for investment and enterprise risk at a company that manages more than \$10 trillion in assets. Fishwick's decision-making is heavily steeped in numbers and data, but he admits that "everything is a trade-off between art and science."

People + Strategy editors David Reimer and Adam Bryant sat down with Fishwick to discuss how the rapidly changing world is causing people in all corners of organizations to challenge their own beliefs around risk management.



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You need to understand what you can know and what you can't know. People waste a lot of time trying to figure out things that they can't know. ... To help avoid making a lot of mistakes, you have to accept that there are limits to human knowledge and limits to what is analyzable.

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People + Strategy: To set the table, can you describe your role at BlackRock?

ED FISHWICK: My title is chief risk officer, and I'm also the head of BlackRock's risk and quantitative analysis (RQA) group. RQA has fundamentally two parts—investment risk for our clients and enterprise risk as a company. My overarching objective is to know at a high level the risk status of the firm and to reassure myself that where we have risk situations, the appropriate focus and attention is being placed on them. It's an atomic problem in terms of investments, because we've got thousands and thousands of portfolios, and each client has their respective concerns.

P+S: Given all that's happened in the world in the last several years, your job has undoubtedly grown more challenging.

FISHWICK: Many of the intellectual and philosophical frameworks we use have not evolved at all. If you consider the risks to individual portfolios, most of the theory behind the analyses we do was developed in the 1960s and 1970s. While an awful lot of the actual theory and philosophy is not particularly new, what has changed beyond all recognition is the technology that you use to get those answers and, where relevant, the scale at which you address the problem.

Take liquidity risk as an example. We paid really de minimis attention to it in the 1990s. We thought about it, but not in a kind of structured, analytical way. But we've learned through various episodes, including the double financial crisis, that liquidity risk has become a much bigger part of the mix. The emphasis you place on it and the amount of technology you throw at it has changed out of all proportion.

P+S: There's an interesting parallel with the world of HR. Many of the underlying concepts are decades old, and there is still a lot of value in them. But at the same time, so much has changed in the world.

FISHWICK: The degree and speed of change are something we talk a lot about here at BlackRock. To what extent is the uncertainty in the world today greater than the uncertainty in the world over time? This is an uncertain time, and it's uncertain partly because of geopolitics and partly because of some very new and emerging technologies that will have an impact in the future in ways that we are still trying to understand.

The aftermath of the pandemic created so much of the unique economic characteristics of this era. And they are in contrast to the decades before the pandemic, when we worked under a paradigm in which central banks had great ability to shape outcomes, to smooth out the economy, to control inflation, and so on. We existed in a very narrow groove of economic uncertainty.

That's not the case today. We have ongoing stickiness in inflation and supply chain challenges. The extreme indebtedness of most Western countries gives central banks very few degrees of freedom. What all that means is that the economic uncer-

tainty going forward is much higher than it has been for a very long time. You are left with some very profound uncertainties. There is a big question about the timeframes and horizons when those uncertainties manifest themselves. For a lot of shorter-term things, it doesn't make that much difference. For medium-to-long-horizon things, it makes an enormous difference.

As just one example, people have long talked about the wisdom of a 60/40 portfolio—invest 60% of your money in equities, 40% in bonds, and you'll be fine over the next 5, 10, or 15 years. Today, it's very unclear that this is true, because there are plausible scenarios in which a portfolio of equities and bonds do quite poorly or are left behind by other parts of the market that will do much better. The uncertainties are more dynamic, and, in that context, risk management is harder.

A Structural Foundation

People+Strategy: On a more personal level, what were important early influences that shaped who you are today?

ED FISHWICK: My dad was a university professor, and I grew up believing that you understood the world by trying to apply form and structure to what you saw. As a kid, I would read lists of things and memorize them if they helped me give structure to the world.

When I moved to New York a few years ago, one of the first things I did was memorize the list of the tallest buildings in New York and how tall they were. My instinct is always to try to understand things by putting some structure on it.

I use a lot of very simple economics to understand things—such as demand, supply, and equilibrium—to think about why things are the way they are. I think a lot of people can benefit from understanding the world within some kind of coherent structure, some organizing framework.

Roughly a century ago, someone in Cambridge drew a distinction between risk and uncertainty. Risk was something where you knew the probability distributions, while uncertainty means you simply don't know because it's uncertain. So much of modern risk management in the investment context involves risk and models of those probabilities, but it strikes me that many risks today are more just uncertainties, particularly with geopolitics and economics.

P+S: Your role would seem to embody a universal challenge of leadership, which is having the confidence to make decisions while also always challenging your own assumptions. How do you think about that?

FISHWICK: All strategic decision-making involves taking information, processing it, understanding distributions of outcomes, and making decisions on the basis of the information. And that kind of decision-making with uncertainty is just part of leadership. Today, decisions are many times harder, and leadership is thus harder because these kinds of outcomes have a bigger distribution of risk around them. That said, I do think that you can see trends and themes against this uncertain background that are more likely than others to lead to fruition.

One of my key heuristics, which I've said thousands of times to people over the years, is that you need to understand what you can know and what you can't know. People waste a lot of time trying to figure out things that they can't know. So, understand what you know and what you don't know. Then, given what you can know, do you have enough information to actually make a coherent decision? Or is it just something you shouldn't do because there are too many things you can't know?

There are so many situations where people want to take decisions, but the decisions imply that they know things that they can't know. To help avoid making a lot of mistakes, you have to accept that there are limits to human knowledge and limits to what is analyzable. So, whenever I look at something new, one of the questions I always ask myself is: Are we assuming we know things that we actually can't know?

People often try to convince themselves that they know stuff. So, one of my jobs over many years has been to try to understand when we're assuming we know things that, actually, nobody can know. Another heuristic is: Are we assuming things that actually are impossible? More often than you would imagine, people assume things that are not actually possible. Clients may want a yield of 10% from a set of assets, even though none of them yield 10% individually, but it's important to understand that it's still impossible.

P+S: What lessons can you draw from your work that would be helpful to HR leaders?

FISHWICK: Risk management is similar to HR in that we have all sorts of models and analytics on a huge scale. And yet, however much you analyze a problem quantitatively, there is always more to know. So, one of the things that we train people to understand about risk management is that the relative effective-

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Markets and life and HR are just intrinsically nonstationary. ... Right now, things are probably changing faster than maybe they've ever changed. ... So, you need a mindset that acknowledges that the way we understood things 10 years ago isn't the best way to think about them now.

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ness of models is likely to vary in different contexts. So, I spend a lot of time trying to understand whether quantitative analysis is actually relevant in a given situation and how relevant it is.

There is a lot of data in HR, like employee surveys. But you have to worry about sample size, about representation, about change over time. You should worry about missing variables, and you should worry about all the bias that missing variables cause. You may see research where Y is explained by X, but there are other factors not captured by the research. This is true in all forms of risk management, and I suspect in HR, as well. People start with a point of view, and it's very easy to do analysis to buttress that viewpoint.

Everything is a trade-off between art and science. But a good starting point is to think about the science and to think about why it might or might not work in a particular context. Over time, you develop intuition around where models might be wrong and where they might be right. Always remember that these are just estimates, and life is constantly surprising. That's another mantra of mine—however surprising you think things are, they can always be more surprising.

P+S: And how do you deal with that? Even if your underlying mathematical models may be right, your interpretation of them in the current context has to be different from your interpretation of them five years ago.

FISHWICK: Markets and life and HR are just intrinsically nonstationary. I talk to a lot of people inside and outside of BlackRock about what is happening in the world, and my expectation is that things change. I suspect that right now, things are probably changing faster than maybe they've ever changed. I suspect that is also true in the HR space. So, you need a mindset that acknowledges that the way we understood things 10 years ago isn't the best way to think about them now. You can absolutely learn from the past, but I think the overarching mindset should be that things change. ■■

Interview conducted by executive editor David Reimer and articles editor Adam Bryant.

To Move Ahead, What Does HR Need to Leave Behind?

In the crystal-ball conversations about HR's future, the focus is typically on what's new—new technologies, new processes, new strategies. But change and evolution are not just about embracing what's new. They also require that you periodically step back to rethink (and shed) assumptions, ideas, and tactics that have outlived their usefulness.

We asked three leading HR executives—all members of the SHRM Executive Council—this question: **What is one thing that you or your department are revisiting or discarding in your HR strategy, and why?**

Lars Minns

Discard Hustle Culture: Make Space for Deep Work and Slow Productivity

“One of the things I've been focused on is trying to help the team focus on a concept called slow productivity. How do you focus on less? How do you work at a natural pace? Then, how do you obsess over quality? I think marrying that with incremental gains or incremental development is so key. To me, that's one of the biggest things.

“We're really going to fast forward and focus big time on leveraging AI as an opportunity for us to unearth and to resurface some of the great things we've done in the past and not have those things get buried in the attic.

“We have an AI tool that we piloted for the last two to three months. ... I think using this 'digital employee,' as we've referred to it, is giving me some ideas as to how we can better leverage it across a number of things. It isn't just a chatbot. It isn't just a communication machine that is building a learning aptitude. It can be much more than that.”

Revisit Total Rewards: Identify Compelling Ways to Present Offerings to Employees

“We offer total rewards like the next best company. But how much of it has become a pantry of items that people take advantage of (or not), as opposed to things that are compelling? We want to use benefits for the things that benefit our employees, and help employees really master the hacking of total rewards, as opposed to just providing them. I'm thinking a lot about how we become more useful in an age of personalization, where employees want to approach total rewards for the value it can provide them.”

Reconsider Performance Management: Maximize Potential, Rather Than Manage Performance

“We put ourselves through this regular cycle of performance management. Are we, in fact, getting the best yield out of that process? It's important to have that level of discipline and rigor. But does the performance management process really match maximizing potential?”



CHRO at Mercedes-Benz, North America

“It's important to get down to the essence of: 'What does potential mean? What are some effective ways to maximizing that potential?' You always hear in sports that a coach got the best out of his or her players. What drives that? What are some things that the coach focused on to maximize that potential and maximize the power of teamwork? There's got to be some ingredients and drivers that led to maximizing the potential.”



Chief People, Inclusion and Sustainability Officer at MGM Resorts International

Make Room for Automation: Use AI to Simplify Routine Tasks

“At MGM Resorts, we are looking at how to shift from manual to automated modes across our various processes in multiple disciplines. That’s true whether it’s in the area of recruitment, opening a ticket for the shared services center, or compensation practices. We are continually challenging ourselves to find ways to automate and simplify processes that were once manual.

“A good example is our incentive and merit planning. Previously, this was done manually through Excel spreadsheets. Today, it’s all done in dynamic mode through automated systems. It’s a much more agile, streamlined process that can be done in a few clicks.”

Embrace Fewer Meetings and Faster Decision-Making

“The second area is that we’re empowering our leaders and managers to make decisions faster with fewer meetings.”

Jyoti Chopra



Chief Administration Officer at AdventHealth

Rethink the Traditional Model Around HR Business Partners

“The traditional model, which typically includes HR business partners, centers of expertise, and shared services, has served our function for a long time, as many of the issues we dealt with had a singular solution or expertise area

needed. Today’s challenges are more complex and multifaceted, requiring us to break the traditional model down in favor of a more flexible approach.

“Professionals need to be quickly deployed to proactively co-create solutions to the most pressing organizational needs. [They must adjust] from their one HR area to collaborating across the function to continue to keep people at the center.”

Apply Data-Driven Financial Rigor to Boost ROI and Accountability

“The other aspect of the change for us has been the addition of a ‘Value Clearinghouse’ team, which includes the CFO.

“Instead of each functional area determining the value and approach, a team central to the HR model assesses the root cause of the problem, the recommended solution, the extent to which the solution was co-created with

the right stakeholders, and the ultimate return on value we can expect.

“This change is helping us ensure that resources are allocated efficiently and effectively from any part of the operating model, preventing wasted resources, and maximizing the return on investment using the same financial rigor as any other part of our organization.

“It supports our efforts to identify potential risks and challenges associated with new initiatives, ensuring smoother implementation and greater chances of success.

“Finally, this approach fosters a culture of accountability and continuous improvement. By regularly evaluating the outcomes of implemented initiatives, HR can learn from past experiences and make data-driven adjustments to future projects, leading to more effective and impactful outcomes over time.”

Olessea Azzevedo

THE DEATH OF BRAINSTORMING

Innovation is the Holy Grail for organizational growth. But new research shows that traditional brainstorming may not be the best tool to tap in to creative thinking, and innovation among teams is much harder when workers are remote. Here are practical techniques from behavioral science and GenAI that can help employees innovate better. **BY GLEB TSIPURSKY**



Traditionally, brainstorming has served as the fount of innovation for organizations of all sizes across all industries. A group of employees gets together in a room to innovate out-of-the-box ideas around developing a new product, optimizing an existing process, or solving a challenging problem.

This technique has served as a brilliant diamond of creativity, working wonders to facilitate the innovative ideas that helped give birth to our modern world ... or so goes the traditional narrative on brainstorming.

Recent research, however, has increasingly shown that this kind of brainstorming may be more like a cubic zirconia than a brilliant diamond. In fact, those studies showed that the supposed usefulness of brainstorming is misleading, and it may be less effective than the simpler technique of asking employees to come up with ideas on their own.

Moreover, our modern, post-pandemic workplace has led to a situation in which it's increasingly difficult for business leaders to get employees into the same physical room to pursue brainstorming. More teams work in a distributed manner, either from workplaces across the globe or from home on their hybrid/remote days. Indeed, in the second quarter of 2024, less than one-third of companies (31%) required their corporate employees to work five days a week in the office, according to the Scoop Flex Index. And traditional brainstorming using remote tools is much more difficult than in-person brainstorming.

Given both the research on the surprisingly low effectiveness of brainstorming and the shrinking number of companies requiring full-time, in-office work, it's time to announce the death of brainstorming as the primary tool for innovation. Instead, HR leaders need to rely on a combination of behavioral science and digital technology to help their companies pursue innovation for competitive advantage in the modern world.

Innovation in Distributed Teams

Many leaders are skeptical that true innovation is possible in distributed teams. Sam Altman, CEO of OpenAI, said the rise of remote work has undermined innovation, claiming that "one of the tech industry's worst mistakes" was believing that you "didn't need to be together in person and ... there was going to be no loss of creativity."

The narrative that traditional, in-person work environments offer the sole breeding grounds for innovation has dominated the discourse. In reality, this narrative is not only outdated but fundamentally flawed in today's technologically driven world.

"The narrative that traditional, in-person work environments offer the sole breeding grounds for innovation has dominated the discourse. In reality, this narrative is not only outdated but fundamentally flawed in today's technologically driven world."

Consider a new study in the prominent scientific journal *Nature*. This comprehensive analysis spearheaded by a team of researchers from Oxford University and the University of Pittsburgh delved into a staggering expanse of data—over 20 million scientific studies and 4 million patent applications spanning a half-century.

Analyzing trends from the 1980s to the present, the data revealed a fascinating narrative: The once-wide chasm between the innovative outputs of in-person and distributed teams has been steadily narrowing.

The 1980s marked the debut of the first scientific distributed collaboration platform. Back then, the data hinted at a somewhat bleak picture for distributed teams. They faced a 5% innovation deficit compared to their in-person counterparts. It was as if distributed collaboration carried an invisible 5% tax on creativity and breakthroughs.

As we fast-forwarded into the new millennium, the landscape began to shift. Between 2000 and 2010, this innovation gap dwindled down to a mere 1%, indicating that the barriers once posed by physical distance are gradually losing their grip. That period witnessed the birth and rapid adoption of technologies tailor-made for distributed collaboration, such as Trello, Zoom, Google Drive, and Slack.

But the real plot twist emerged post-2015. In this period, the narrative flipped completely. The once-negative coefficient, a marker of the distributed work disadvantage, not only zeroed out but took a surprising leap into positive territory. It's a remarkable turnaround, a testament to the evolving efficacy of distributed collaboration.

The studies underscore the crucial role played by robust internet connectivity in enabling and enhancing distributed collaboration. Specifically, teams whose members had better broadband connectivity experienced improved outcomes on innovation. That evidence further supports the idea that refinements in distributed work tech tools—which are enabled by fast broadband—offer the key to improved innovation.

Traditional Brainstorming: Benefits and Challenges

Traditional face-to-face whiteboard brainstorming sessions may feel super productive, but numerous studies have shown that this format is substantially worse for producing innovative ideas than even individuals coming up with ideas separately, not to mention alternative and more-effective best practices.

Behavioral science research has revealed that participants in traditional brainstorming sessions enjoy them and believe them to be effective for generating ideas. That comes from two areas identified by scientists:

- **Idea synergy**, meaning that ideas shared by one participant help trigger ideas in other participants. Experiments show that synergy benefits are especially high if participants are instructed to pay attention to the ideas of others and focus on being inspired by these ideas.
- **Social facilitation**, meaning the benefit of social support from working on a shared task. Participants feel motivated when they know they're collaborating with their peers on the same goal.

Sadly, these benefits of brainstorming come with costs attached. One of the biggest problems is called production blocking.

Did you ever participate in a brainstorming session during which you had what you felt to be a brilliant idea, but someone else was talking? Then, the next person responded and took the conversation in a different direction. By the time you had a chance to speak, the idea seemed not relevant or too redundant, or maybe you even forgot it.

If that has never happened to you, you're likely an extrovert. Introverts have a lot of difficulty with production blocking. It's harder for them to formulate ideas in an environment of team brainstorming. They generally think better in a quiet environment, by themselves or with one other person at most. And they have difficulty interrupting a stream of conversation, making it more likely for their idea to remain unstated.

Those with a more pessimistic than optimistic personality also struggle with brainstorming. Optimists tend to process verbally, spit-balling half-baked ideas on the fly. That's perfect for traditional brainstorming. By contrast, pessimists generally process internally. They feel the need to think through their ideas to make sure they don't have flaws. Although brainstorming explicitly permits flawed ideas, it's hard for pessimists to overcome their personality, just like it's hard for introverts to generate ideas in a noisy team setting.

Pessimists are also powerfully impacted by a second major problem for traditional brainstorming: evaluation apprehension. Many pessimists feel worried about sharing their ideas openly due to social anxiety about what their peers may think.

Finally, more-junior or lower-status team members often feel reluctant to share controversial ideas that challenge existing practices or the territory associated with high-status team members. Those ideas are often the most innovative, but they remain unsaid, whether due to production blocking or evaluation apprehension.

Using Behavioral Science to Improve Traditional Brainstorming

In the early 1990s—long before the rise of distributed work—researchers concerned with the faults of traditional brainstorming worked on developing new techniques. In working with clients to help them adapt to distributed and flexible work models, I used recent advances in behavioral science to adapt these techniques to the modern workplace through what I call “asynchronous brainstorming.”

This process starts with selecting digital collaboration tools. Google Forms or Microsoft Forms, ideal for anonymous text-based idea submissions, and MURAL, a virtual whiteboard suitable for visual brainstorming, stand out as prime examples. Here are the three steps: *(See box for a case study of asynchronous brainstorming in action):*

Step 1: Use digital collaboration tools to input ideas. Teams may opt for real-time virtual collaboration, in which participants first have a brief discussion via a video conferencing tool and then input their ideas into the chosen digital collaboration platform, tapping social facilitation. More frequently, they use an asynchronous approach, which allows team members to



A CASE STUDY IN ASYNCHRONOUS BRAINSTORMING

By merging digital collaboration tools and more traditional techniques, an “asynchronous brainstorming” process is an effective method for fostering innovation, whether for distributed or in-person teams. *(See description of the three-step process at left.)*

Here's an example of how asynchronous brainstorming works in practice:

Applied Materials—a Fortune 200 semiconductor manufacturing firm with offices around the globe and a hybrid schedule of three days in the office for its non-frontline staff—sought to boost its innovation to meet growing industry challenges. I trained their 400-plus global leadership team in asynchronous brainstorming during their annual CEO kickoff session for their strategy work.

During this videoconference meeting, I first explained the technique and then led the entire group in a real-time asynchronous brainstorming activity. I asked all the global leaders to spend a few minutes inputting their ideas on how they could use asynchronous brainstorming in their departments into a Microsoft Form, which included spaces for the person's idea and name.

Anonymity wasn't necessary for this exercise. In fact, providing names was motivating. I then shared my screen to display an Excel spreadsheet where each leader's idea appeared in real time. This proved highly engaging—as it consistently does during such training sessions—and it motivated more people to participate.

Particularly motivating was my promise to share the results with everyone after the training, providing all participants with the benefits of the crowdsourced idea bank. The attachment of names to ideas also helped, as leaders could receive credit for their contributions. - G.T.

A CASE STUDY IN GEN AI BRAINSTORMING



The explosion of generative artificial intelligence (GenAI) has revolutionized the innovation process, suggesting ideas, offering data-driven insights, and playing devil's advocate. This integration leads to more diverse and comprehensive ideation, pushing beyond conventional boundaries.

So how does this work in practice? I've suggested a five-step process to help teams maximize their use of GenAI to spark innovation and creativity (see *"Generative AI Offers Innovation Powerhouse"* in main article). Here's a case study of how developers at a major retailer's e-commerce platform used this GenAI brainstorming process to improve the site's functionality:

Each team member inputted their version of a problem statement into a GenAI tool that was pre-trained on the company's data. The AI suggested a range of improvements across various areas of the platform. This step helped the team uncover innovative ideas that might not have emerged through conventional brainstorming methods.

In Step 2 (the refining and evaluating ideas phase), team members used AI to assess the diverse suggestions based on feasibility, user satisfaction potential, and implementation difficulty. They leveraged the AI to simulate reactions from various customer demographics to the proposed innovations. This allowed the team to understand how different user segments

would respond to each idea. Ultimately, they identified personalized search results as the most promising idea due to its high potential to improve user experience.

To further develop the personalized search results concept, the team used AI-driven analytics and simulation software. These tools helped the team develop and test new search algorithms. By modeling user interactions and predicting the impact of personalized search results, the team was able to refine the concept. This step was crucial in transforming the initial idea into a clear and actionable implementation plan, ensuring that the new feature would be both effective and user-friendly.

During Step 4 (the collaborative integration phase), the development team held meetings to discuss and finalize the AI-enhanced search feature. The data-driven insights and detailed models produced by the AI-assisted tools facilitated effective collaboration among team members. These discussions led to the successful integration of personalized search results into the e-commerce platform. The team's ability to combine AI-generated insights with human expertise proved

to be a significant factor in the feature's development.

Finally, the team established a continuous feedback loop to ensure the ongoing enhancement of the personalized search feature. They collected user feedback and performance metrics, which were then fed back into the AI system. This iterative process allowed the team to continuously improve the search functionality, ensuring it remained efficient and user-friendly over time.

End result: Implementation of the personalized search results feature significantly improved the user experience on the retailer's e-commerce platform. User engagement metrics saw a marked increase, with a 20% spike in the average session duration. Customers found products they were interested in more quickly, resulting in a 15% boost in the conversion rate. Overall customer satisfaction scores increased from 78% to 90%, with specific praise for the search function. Most importantly, the retailer saw an 8% sales increase attributed to improved search functionality, highlighting the impact of the new feature on the company's bottom line. - G.T.

add ideas independently by a set deadline, catering to different time zones and thinking styles.

In either case, the use of the digital collaboration tool addresses the potential problem of production blocking. Moreover, you can allow participants to submit ideas anonymously, which addresses the problem of evaluation apprehension.

Step 2: Evaluate and provide feedback. In the second step, the brainstorming meeting facilitator accesses the back end

of the collaboration platform, removes duplicates, combines similar ideas, breaks ideas up into categories, and sends them out to all team members. Following this, the team engages in evaluating and providing feedback on the ideas.

Anonymous methods for commenting, rating, or voting foster an unbiased assessment based on criteria such as novelty, practicality, and usefulness, again preventing the problem of evaluation apprehension.

Step 3: Discuss and finalize ideas. The process culminates in this third step. Widely distributed teams might convene in a follow-up video call for this stage, while teams that are in close enough physical proximity would benefit from an in-person meeting to finalize discussions. Implementing the selected ideas and assigning follow-up tasks ensures that the brainstorming session translates into actionable projects.

The key strengths of asynchronous brainstorming include its inclusivity, its capacity to elicit a wide range of ideas, and its flexibility. By removing evaluation apprehension and production blocking, the technique accommodates introverts, pessimists, and junior/lower-status team members. This approach is an effective method for fostering innovation in all workplaces, whether for distributed teams or even fully in-person teams.

GenAI Offers an Innovation Powerhouse

The 2010s featured collaboration technology that improved innovation in distributed work, but the 2020s will feature a whole new era of technology boosting innovation. A particular benefit is integrating generative artificial intelligence (GenAI) into the creative process. For example, ChatGPT-4 got a score of over 99% in the Torrance Tests of Creative Thinking.

My clients find that an AI-driven strategy doesn't just match but often exceeds traditional levels of innovation, catalyzing fresh, groundbreaking ideas and fostering an environment where creativity thrives, unbound by the constraints of physical collaboration of being in the same room and relying on traditional brainstorming.

Specifically, a technique I developed for my clients leverages GenAI for individual idea generation, enhancing creativity and reducing reliance on traditional in-person collaboration. Moreover, it can be used by individual employees to create fleshed-out ideas before bringing them to the wider team, offering even more options than asynchronous brainstorming.

Here are five steps for using GenAI to spark innovation: *(See box for a case study in how this process worked at a major retailer.)*

Step 1: Generate wide range of ideas. The process begins with the initial idea generation, in which individuals input a basic concept or problem statement into a GenAI tool. This tool then produces a wide range of ideas, perspectives, and solutions, allowing for the exploration of various angles. By leveraging the AI's capacity to think outside conventional human patterns, users can uncover innovative approaches and unique insights that might be overlooked in traditional brainstorming sessions

By leveraging the AI's capacity to think outside conventional human patterns, users can uncover innovative approaches and unique insights.

Step 2: Refine and evaluate. In the second step, the AI assesses the generated ideas for potential impact, feasibility, and market readiness. This evaluation helps to identify the most promising ideas, which are then shortlisted for further discussion within the team. By sifting through and analyzing these ideas, the AI ensures that only those with the highest potential are considered, streamlining the decision-making process and saving valuable time and resources.

"By leveraging the AI's capacity to think outside conventional human patterns, users can uncover innovative approaches and unique insights that might be overlooked in traditional brainstorming sessions."

Step 3: Enhance creativity with AI-assisted tools. These tools, which include AI-assisted design software, predictive analytics, and simulation programs, further develop and visualize the shortlisted ideas. By adding depth and clarity to each concept, these advanced tools help to refine the ideas into more concrete and actionable plans. This step is crucial for transforming initial, raw ideas into well-developed proposals that can be effectively communicated and implemented.

Step 4: Collaborate and integrate. Next, individuals bring their AI-enhanced ideas to the team for discussion. These discussions are enriched by the data-backed, innovative concepts generated and refined by the AI. Whether conducted remotely or in person, these meetings benefit from the well-thought-out ideas, leading to more productive discussions. I encourage teams located close enough to meet in person, if possible, at this stage because face-to-face interactions can enhance collaboration.

Step 5: Establish a continuous feedback loop. Feedback and insights gained from team discussions are fed back into the AI system, creating a cycle of ongoing improvement and innovation. This iterative approach ensures that the AI continues to learn and adapt from human input, constantly refining and enhancing the quality of the ideas generated. By maintaining this continuous feedback loop, the process fosters a dynamic environment of perpetual growth and creativity.

A Paradigm Shift for Innovation

The implications of these findings on innovation and brainstorming are profound for HR leaders, especially in fast-paced industries for which staying ahead of the curve is crucial. The belief that innovation is geographically bound to being in one room and relying on the traditional technique of brainstorming is being challenged by empirical evidence from behavioral science as well as the rapid development of modern technology.

Whether teams use asynchronous brainstorming to get input from widely distributed teams or solo staff members use GenAI to develop well-fleshed-out ideas, we are seeing the death of face-to-face brainstorming as the default for innovation for any HR leader who wants to help their organization maintain a competitive advantage in our quickly changing world. ■■



Gleb Tsipursky serves as the CEO of the future-of-work consultancy Disaster Avoidance Experts. He authored the best-selling books *ChatGPT for Thought Leaders and Content Creators* (Intentional Insights, 2023) and *Returning to the Office and Leading Hybrid and Remote Teams* (Intentional Insights, 2021).

BRIDGING THE TALENT

GAP

What CHROs
Can Do in
2025 to Ease
the Labor
Shortage

by Justin Ladner
and Sydney Ross

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Where have all the workers gone?

A series of workforce disruptions and long-running demographic trends have limited labor force growth, resulting in historically tight labor market conditions. The nagging labor shortage may seem like an intractable problem, but SHRM economists highlight the fundamental changes that can help ease the U.S. labor shortage in 2025 and beyond.

Labor shortages have received an enormous amount of attention in recent years and—although conditions have shown clear signs of improvement in recent months—there are many reasons to believe this spotlight will endure for the foreseeable future. After all, competition for labor remains fierce, and the need to attract and retain talent will always take center stage for HR leaders. Furthermore, ongoing demographic changes, uncertainty surrounding immigration policies, and emerging innovations in the field of artificial intelligence have fueled intense speculation and uncertainty about the future of labor. For all these reasons, we expect this issue will continue to dominate HR discussions in 2025 and beyond.

Quantifying the Current Labor Shortage

The U.S. has clearly been suffering a labor shortage for years, but what is the best way to identify its presence and severity? Although several metrics are tracked for this purpose, one especially intuitive indicator is the ratio of unemployed people to job

openings (a value we will refer to as the unemployed per job openings ratio, or UJOR).

In any given month, this ratio is calculated as the size of the unemployed population divided by the number of active job openings as of the last business day of the month. In this ratio, the unemployed population captures the supply of people who could plausibly fill an open position without vacating another, whereas the number of job openings reflects unmet demand for labor.

Here's how to read the unemployed per job openings ratio:

- **Surplus.** At least in principle, a labor surplus exists **when this ratio exceeds 1.0**, because every active job opening could theoretically be filled by a member of the unemployed population in this scenario. In practice, however, other labor market frictions (e.g., skills mismatches) often prevent job openings from being filled even when the UJOR is above 1.0.
- **Shortage.** In contrast, a labor shortage exists when the **ratio falls below 1.0**, because—

even if it were possible to match every unemployed person to an active opening—there would still be unfilled job openings at the end of that matching process.

Historically, the UJOR has always been above 1.0. In fact, between December 2000 and February 2018, the number of unemployed people typically exceeded the number of active job openings by millions. However, beginning in March 2018, the UJOR fell below 1.0 and remained there until March 2020. After a brief labor surplus in the initial phase of the pandemic, the UJOR dropped below 1.0 again in May 2021 and has remained there ever since. The takeaway from this historical trend: Although the pandemic clearly made the labor shortage worse, workers were already in short supply prior to its onset.

Since hitting its low point in 2022, the labor shortage has gradually improved, mostly because the number of job openings fell steadily from an all-time high of 12.2 million openings in March 2022 to about 8 million in August 2024. However, in 2024, growing unemployment has driven down the UJOR. In fact, between January and August of this year, the unemployed population has risen by roughly 1 million people.

As pervasive as the labor shortage has been in recent years, the gap between job openings and unemployed people has narrowed considerably in 2024. As of August 2024, there were roughly 925,000 more job openings than there were unemployed people, down from about 2.6 million in January. Should this trend continue, employers will face comparatively favorable (albeit still challenging) labor market conditions in 2025.

The Role of Demographic Change

The current labor shortage cannot be explained by any single cause. For example, the pandemic alone introduced several contributing factors, including a decline in labor force participation among older adults. Even so, one of the most fundamental factors predates the pandemic by decades: Demographic

change is reshaping the country's age distribution in such a way that working-age adults represent an increasingly small part of the population.

As shown in Figure 2, the population of “prime working-age” U.S. residents (people ages 25-54) grew by more than 50 million people from 1970 to 2000. But that population added only about 8 million people between 2000 and 2023.

During the same 2000-2023 period, the percentage of U.S. residents ages 25-54 fell from nearly 43% of the total population to just over 38%. Prime working-age adults have historically accounted for a large majority of the U.S. labor force. As such, this group's slow growth during the 21st century has significantly constrained overall labor supply growth in the U.S.

The rapidly growing quantity of prime working-age adults from 1970 to 2000 can largely be attributed to the Baby Boomer generation, whose members began reaching prime working age around 1970. For decades after, the prime working-age population grew at a strong rate. However, by 2000, Baby Boomers began turning 55 and growth slowed substantially.

The central challenge with trends described here is that, due to rapidly declining fertility rates, the population of young people aging into prime working age every year is declining steadily over time. In fact, this population will soon be insufficient to replace older people exiting prime working age. As a result, population projections from the U.S. Census suggest that future growth in the prime working age population will be largely dependent on immigration.

Given that population aging is a long-running global phenomenon, we have every reason to believe that this demographic transition will continue to constrain labor supply growth for the foreseeable future. As such, in the absence of monumental demographic, behavioral, or technological change, it is reasonable to assume that labor shortages will be a common challenge going forward.

FIGURE 1 TREND IN THE UNEMPLOYED PER JOB OPENINGS RATIO (UJOR) SINCE 2000

A good indicator of U.S. labor levels is the unemployed per job openings ratio (UJOR), which is the size of the unemployed population each month divided by the number of active job openings. A ratio below 1.0 indicates a labor shortage because there aren't enough unemployed people to fill all the open roles. The central finding in this chart is that, outside of the initial phase of the pandemic, the UJOR has been below 1.0 since March 2018. So, although the pandemic significantly exacerbated labor market conditions, the current labor shortage actually predates the pandemic.

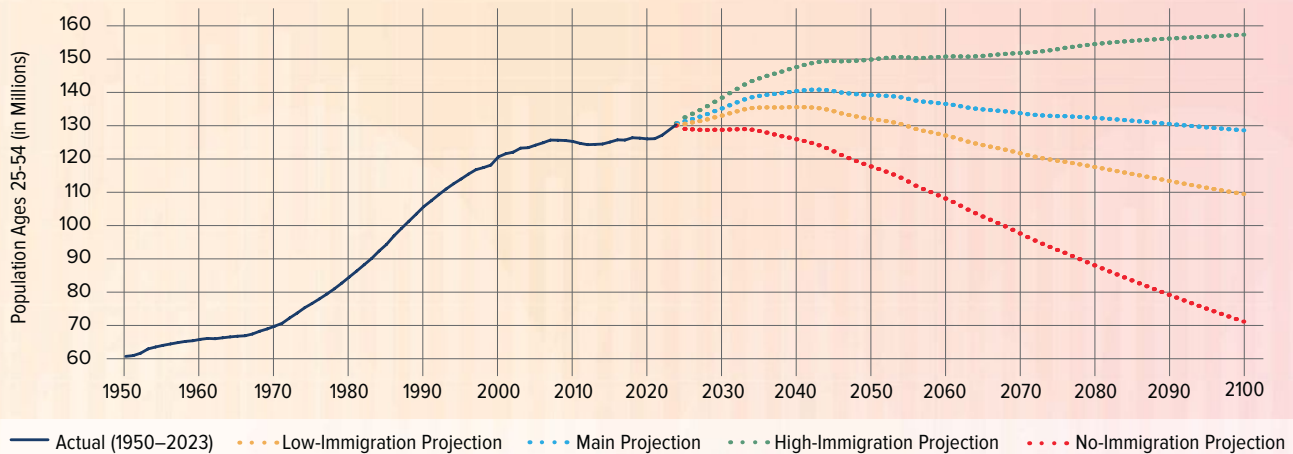


Source: U.S. Bureau of Labor Statistics Job Openings and Labor Turnover Survey (JOLTS).

FIGURE 2

ACTUAL AND PROJECTED GROWTH IN PRIME WORKING-AGE POPULATION

The U.S. population ages 25-54 grew quickly from 1970 to 2000, but 21st-century growth has been sluggish due to the aging population. As shown here, future growth in this population is projected to depend heavily on the level of immigration.



Source: 1950-2023 estimates based on U.S. Bureau of Labor Statistics data retrieved from FRED, Federal Reserve Bank of St. Louis. 2024-2100 projections from the U.S. Census Bureau.

That said, it is important to emphasize that employers should not necessarily expect a constant state of labor scarcity going forward. In fact, the U.S. labor market has cooled significantly in 2024, which has mitigated or even eliminated the labor shortage in some sectors. Based on these recent developments, many employers should enjoy comparatively favorable labor market conditions in 2025, though the overall labor market will likely remain tight by historical standards.

Solutions for 2025 and Beyond

Although the current labor shortage may seem like an intractable problem, clear and plausible pathways exist that could help ease the current labor shortage over time.

Immigration reform. Policies aimed at encouraging and facilitating legal immigration to the U.S. may provide the quickest path toward stronger labor force growth, especially in the prime working-age population. In fact, according to U.S. Census population projections (see Figure 2), achieving a high-immigration scenario would allow the prime working-age population to grow by about 30 million people by 2100.

Politically charged issues such as border security and immigration policies will almost certainly make it difficult to pursue this pathway in 2025. However, given the current trends of an aging workforce and low birth rates, immigration may be the most powerful policy lever available for increasing labor supply over a longer time horizon. (*Learn more about SHRM's workplace immigration reform initiatives on page 58.*)

Greater participation from older and younger workers. Another necessary part of the solution for the labor shortage is to pursue policies that promote greater labor force participation, especially among those ages 16-24 and older than 55.

Rising labor force participation among older adults—especially those older than 65—has already been a critical boon to labor supply for decades. However, even though older adults have substantially grown their labor force representation

with relatively limited intervention from policymakers and employers, several key steps could spark greater participation among the oldest and youngest adult age groups.

For example, investing in reskilling and upskilling programs could be hugely beneficial for older adults, especially those whose existing skills have become dated or obsolete via technical change. Similarly, vocational training programs could help young adults enter the labor force sooner and with more competitive skills. This is an especially prominent issue for males ages 16-24, whose labor force participation has fallen significantly in recent decades, even among those who are not enrolled in education programs.

Technological change. One final development that will fundamentally disrupt the labor market relates to technological change, especially labor-replacing AI tools. A recent Goldman Sachs report estimated that increasingly sophisticated AI tools could expose the equivalent of 300 million full-time jobs to automation globally. The study also said that about two-thirds of U.S. occupations are exposed to some degree of automation via AI.

However, that same report emphasized that exposure to AI-based automation is not the same as *labor replacement*, and that AI tools will represent a complement to human labor in many contexts. At the moment, there is too much uncertainty in this area to meaningfully predict how AI will alter the current labor shortage. Even so, AI tools are already being deployed to save labor, and any employer wishing to successfully manage a labor shortage in 2025 would benefit from a comprehensive plan that incorporates these tools wherever possible.



Justin Ladner is the senior labor economist at SHRM and previously served as the senior policy advisor at AARP.

Sydney Ross is an economic researcher at SHRM.

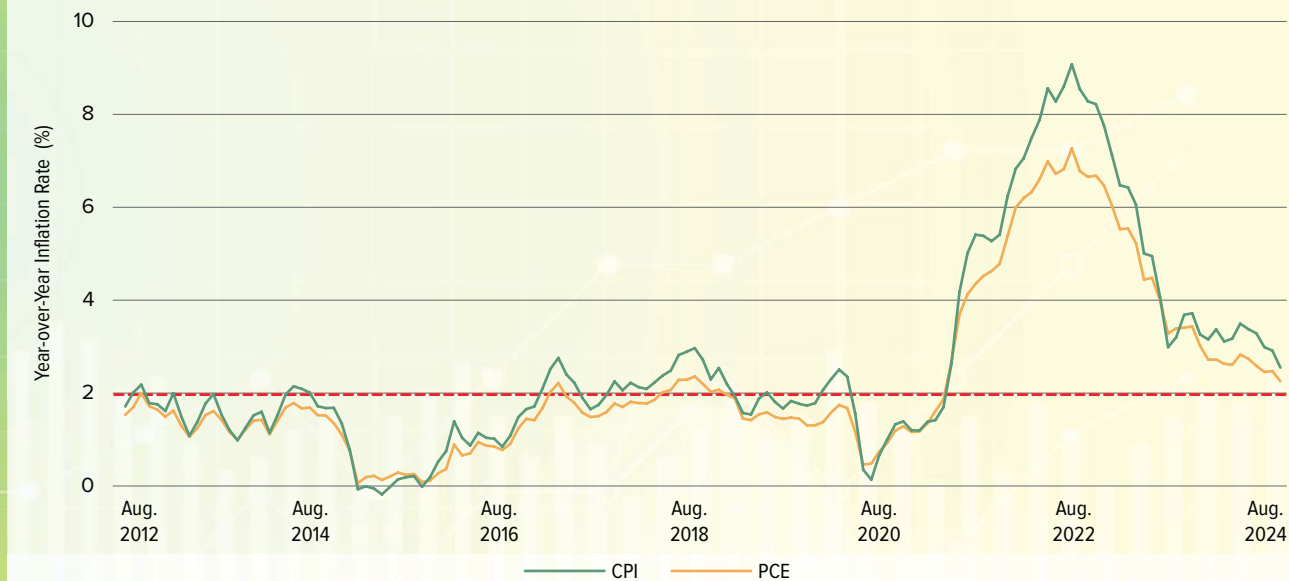
INFLATION AND INTEREST RATES

How Employers
Should Prepare
for 2025

Inflation may be cooling, but a range of factors could still shake up the U.S. economic outlook next year. Where are we headed? Here are three possible scenarios for inflation and interest rates and how they could impact employers.

FIGURE 1 YEAR-OVER-YEAR INFLATION (CPI VS. PCE), 2012-PRESENT

The Consumer Price Index (CPI) and the Personal Consumption Expenditures Index (PCE) rose sharply in 2021, peaked in summer 2022, and have been falling steadily since then. As of August 2024, year-over-year PCE inflation stood at 2.2%, just above the Fed's target rate.



Source: CPI data from U.S. Bureau of Labor Statistics, PCE index data from U.S. Bureau of Economic Analysis. All data retrieved from FRED, Federal Reserve Bank of St. Louis.

As much attention as the labor shortage received in recent years, inflation has loomed even larger in the minds of policymakers, business leaders, and the public. This intense focus began in 2021, when the Consumer Price Index (CPI) began rising abruptly in response to numerous factors, including historic supply chain pressures. This spike peaked in June 2022 and—although inflation has fallen steadily and is now below its historical average—concerns about rising prices have persisted.

One reason for this sustained focus is that the Federal Reserve Board remained committed to constraining inflation by raising interest rates and maintaining them at a level not seen since the early 2000s. Although necessary, this policy generated tension in markets and the business community.

In September 2024, due to falling inflation and a rapidly cooling labor market, the Fed implemented a 50 basis-point (0.5 percentage point) cut to its target interest rate. There is widespread belief that more cuts are coming in the months ahead. As such, inflation characteristics and the Fed's aggressiveness in lowering rates will likely be a dominant issue in 2025.

The Policy Response to Rising Inflation

One function of the Fed is to promote price stability through monetary policy. When inflation climbs, the standard response is to raise interest rates, which increases borrowing costs and puts downward pressure on inflation via reduced demand.

The Fed examines several metrics when making monetary policy decisions, though a widely discussed measure is its 2% year-over-year inflation target. Rather than the more commonly known CPI, however, this benchmark refers to year-over-year growth in the Personal Consumption Expenditures Index (PCE).

As shown in Figure 1, both the CPI and the PCE saw a sharp spike in 2021. The year-over-year PCE index rose from less than 2% in February 2021 to over 6% by the end of that year. After peaking at 7.1% in June 2022, the PCE index has fallen steadily over the past two years and has been below 3% since October 2023. Although this index provided some mixed signals about inflation in the early part of 2024, it has consistently fallen in recent months and stood at just 2.2% in August 2024.

A primary reason for falling inflation over the past two years has been the Fed's willingness to curb price increases via interest rate hikes. From early 2022 to the middle of 2023, the Fed increased the target federal funds rate (FFR) from 0.25% to 5.5%.

Taking such an aggressive approach to lowering inflation always entails some risk because raising interest rates tends to suppress consumer spending, investment, and economic growth. However, the U.S. economy was remarkably resilient throughout this period, which allowed the Fed to maintain a 5.5% target on the FFR for over a year leading up to its 0.5 percentage point cut in September 2024. Assuming that inflation remains at or below its current level, there is widespread belief this initial cut is one of several that will occur in future months as the Fed attempts to achieve the often-discussed economic "soft landing" (i.e., curbing a period of high inflation without triggering a recession).

3 Potential Paths in 2025 & Takeaways for Employers

Developments in recent months strongly suggest inflation is trending down to the Fed's 2% target. Evidence of labor market cooling has further eased inflation concerns, so much so that the Fed cut its target rate by 0.5 percentage points in September and appears to be pursuing a steady series of cuts going forward.

As certain as these future developments may seem, it is important to note that key economic indicators offered some mixed signals in 2024, and global economic conditions remain volatile. Such uncertainty makes it difficult to provide a definitive forecast for inflation and interest rates in 2025, but here are three possible scenarios and their relative likelihood.

Scenario 1 (Most Likely):

Stabilization in Inflation and Declining Interest Rates

The latest PCE year-over-year inflation value (2.2% in August 2024) aligns with the Fed's target, which significantly eases concerns about inflation. Furthermore, the rapidly cooling labor market will likely lead to more aggressive rate cuts than previously expected. In fact, the most recent Federal Open Market Committee (FOMC) projections suggest that the Fed's target rate could fall another 0.5 percentage points by the end of 2024 and an additional percentage point in 2025. (Expectations of individual FOMC participants vary significantly.)

Absent an unforeseen shock that fundamentally changes economic conditions, available evidence strongly suggests that the Fed will pursue a series of steady interest rates cuts through 2025, with inflation remaining at or near its current level.

Key Takeaways for Employers:

- High borrowing costs have created challenges for many employers in recent years. Organizations in this position will welcome falling interest rates because this will facilitate lower borrowing costs and make key investments more affordable.
- Lower borrowing costs may also encourage firms to take measured risks aimed at innovation and future growth (e.g., investing in areas that make aspects of doing business cheaper, such as new technologies, employee training programs, acquiring capital assets, and expanding the business).
- Lower interest rates also tend to boost consumer spending, with an especially strong impact on products that are frequently purchased via financing. Thus, industries whose customers rely heavily on borrowing should benefit significantly from interest rate cuts.
- Any continued decline in inflation would likely stem, in part, from cooling wage growth. Although the labor market remains tight by historical standards, falling wage inflation would make it easier for firms to attract and retain talent.

Scenario 2 (Unlikely, but Possible):

A Modest Rise in Inflation

One key feature of the U.S. economy in the first half of 2024 was uncertainty and mixed signals. For example, several monthly jobs reports came in well above or below expectations, and data on compensation growth was similarly mixed.

Although signals in the latter half of 2024 have clearly pointed toward falling inflation and a cooling labor market, a modest reversal of this trend is possible. For example, overly aggressive interest rate cuts could prompt a return to overheated labor market conditions, which could put upward pressure on wages and overall inflation. Such a scenario is unlikely. However, in such a case, the Fed's response would almost certainly be to scale back or even halt interest rate cuts.

Key Takeaways for Employers:

- In this scenario, borrowing costs would remain somewhat elevated, which would deter business investment relative to optimal conditions. Firms that rely heavily on borrowing to facilitate operations would be worse off relative to Scenario 1. Similarly, firms would be less willing to finance risky investments (e.g., in innovative tech).
- We would also expect consumer spending to be suppressed compared to Scenario 1. This would be especially true for products purchased via financing (e.g., housing, cars, etc.).
- Assuming that this rise in inflation was paired with a return to overheated labor market conditions, organizations would again face intense competition in the labor market and strong growth in compensation costs. Attracting and retaining talent would be more difficult and costly in this environment, compared with Scenario 1.

Scenario 3 (Very Unlikely):

High Inflation Returns

The 2021-2022 inflation spike was spurred by extremely unusual economic conditions, including shocks caused by the worst pandemic in 100 years. Thus, there is no reason to expect that—having exited this period of pandemic and high inflation—we would return to those conditions in 2025.

However, one key lesson from the recent past is that massive economic shocks can arise with no warning. And several current issues around the world (e.g., geopolitical conflicts) could metastasize and spike inflation again.

Key Takeaways for Employers:

- A resurgence of inflation would put policymakers in a difficult position, especially if the shock also decreased aggregate demand and suppressed economic growth (an outcome referred to as “stagflation”). If that happened, the Fed would likely raise interest rates and borrowing costs would rise. Most firms would respond by cutting back on debt-funded investments. Companies that rely heavily on borrowing to fund operations would be hit especially hard.
- Consumer spending would stagnate or fall, especially for products that are frequently purchased via financing.
- It is unclear what labor market conditions would look like in this scenario because they would depend on the nature of the economic shock.

Overall outlook: The labor market remains relatively tight by historical standards, but conditions have loosened rapidly in recent months. As such, on average, employers should expect comparatively favorable labor market conditions in 2025, especially those organizations that are willing to pursue innovative ways to find, train, and retain workers.

Similarly, the data strongly indicate that inflation has returned to normal, which should hail the return of lower interest rates and correspondingly good conditions for consumer spending, investment, and innovation. In short, after years of uncertainty and upheaval, 2025 seems poised to provide a refreshing blend of normalcy and opportunity. ■■

—Justin Ladner and Sydney Ross

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NAVIGATING DISRUPTION LESSONS FROM VISIONARIES

For three days this fall, the SHRM Executive Network welcomed more than 400 of the country's leading HR executives to Austin, Texas, for the annual Visionaries Summit. The presentations and interactive sessions united around a common theme: how to navigate the waves of disruptions facing organizations and HR leaders today. Here are lessons from the more than 20 presenters ...

BY MOLLY COHEN AND JESSE STANCHAK



TO SURVIVE THE DISRUPTION OF A LAWSUIT, OVERCOMMUNICATE WITH STAFF AND CUSTOMERS



Becoming the target of a major lawsuit can bring significant strain—both financially and emotionally. When Hello Alice, a Houston-based fintech platform that helps entrepreneurs gain access to capital, was slapped with a high-profile reverse discrimination lawsuit in 2023, it survived by leaning on its

CHRO to communicate with employees at every step of the case (which was eventually dismissed).

To help retain top talent during disruptions like this, **Elizabeth Gore, co-founder of Hello Alice**, advised organizations to go the extra mile to keep employees informed about the process and the potential impact: “I gave lawsuit updates monthly to employees, and we also got very transparent about our budget. We ended up showing where the cash flow was, and that gave a lot of confidence [to employees], too. No one left.”

Gore said a key factor in retaining employees during this time was relying on her CHRO to lead the communication. Gore also suggested to Visionaries attendees that they apply extra transparency with investors and customers throughout the process. To keep customers informed, Hello Alice sent a customer-facing email to explain what was going on with the company, where it was headed, and what it believed in.

The biggest lesson Gore learned during this time was the importance of fundamentals.

“Have a really smart succession plan,” Gore said. “And make sure you have the ability to quickly communicate with your employees. Especially with this new world we’re in, I think that’s super critical.”

EMBRACE CHANGE BY LEVERAGING YOUR TEAM’S STRENGTHS



In times of organizational change, uncertainty can drain employees’ energy and morale. But according to **Jennifer Fondrevay, chief human resources officer at consulting firm Day1 Ready**, leaders can turn uncertainty into opportunity by helping workers channel their efforts toward where they excel—and toward the

aspects of the job they can control.

“How do you get people who are exhausted by uncertainty to face it?” asked Fondrevay. “You get employees to focus on their talent, their effort, and their attitude. In the uncertainty vortex, you focus on what you can control.”

Fondrevay also stressed the leadership power of maintaining a positive mindset.

“When you’re positive, people want to work with you,” she explained. “Particularly at a time with so much incivility, a positive attitude really stands out.”

To further leverage the collective strength of your team, Fondrevay advised identifying key archetypes within your team: the creative, the pragmatist, the up-and-comer, the networker, and the future you. Bring together these diverse personalities into an internal board of advisors and lean on them when navigating changes.

FOLLOW A 4-POINT BLUEPRINT FOR SEAMLESS ADOPTION OF AI



In their rush to embrace the latest technology, many businesses are rolling out artificial intelligence tools without a plan for integrating them into existing processes. Instead, organizations should approach AI adoption strategically, working off an established blueprint, said **Kristen Howe**,

SHRM's vice president of Enterprise Solutions Products.

When leaders invest in a thoughtful AI adoption model, Howe said, they can implement new tools and processes to support the overall business strategy, much like architect Frank Lloyd Wright did with his masterpiece Fallingwater in Mill Run, Pa., which exists in harmony with the surrounding environment.



“PEOPLE WHO EXPERIENCE INCIVILITY IN THEIR LIVES ARE TWICE AS LIKELY TO COMMIT ACTS OF INCIVILITY.”

– **SUSAN SCHMITT WINCHESTER, AUTHOR AND FORMER CHRO OF APPLIED MATERIALS**

HR leaders are well positioned to bring people, processes, and tools into alignment. But 2024 SHRM research found that 95% of HR leaders have moderate to no involvement in implementing AI.

To help HR leaders take a more proactive approach, Howe introduced a new model from SHRM that breaks successful strategic AI adoption down into four key components:

- **Empower.** Articulate a clear vision for the use of AI.
- **Steward.** Establish clear ethical guidelines for AI's use.
- **Explore.** Encourage experimentation with AI tools within the workforce.
- **Activate.** Build workforce readiness around AI tools.

For an AI adoption frame to be successful, organizations must also articulate AI's advantages, such as increased efficiency and the potential to enhance job performance, while addressing employees' worries, she said. It's natural for workers to be nervous about AI, but leadership can help workers see that embracing new technology is ultimately in their best interest.

“AI is not going to take your job, but somebody who's willing to use an AI is,” Howe said. “So, we have to get everybody at that point where they feel comfortable.”

FROM CHRO TO CEO: EXPAND UPON YOUR PEOPLE SKILLS TO MOVE UP THE LADDER



CHROs can successfully transition to CEO roles, provided they're willing to do the work to round out their skill sets, said **Tamla Oates-Forney**, **CEO of Linkage**, a SHRM Company focused on women's leadership.

“CHROs are uniquely placed to run companies,” she said. “Given our business context and our understanding of the

workforce, more of us should look at this as a career opportunity.”

Before becoming CEO of Linkage, Oates-Forney served as CHRO of USAA, so she understands both the challenges of taking on the top job and the advantages of leveraging her time in HR. She explained that CHROs bring three key skills that can set them up for success in running an organization:

- CHROs understand how to allocate resources because talent is typically an organization's largest investment.
- CHROs bring the ability to build winning teams.
- CHROs understand how to bring a business's strategy to life through people.

But most CHROs will need increased business acumen skills to succeed in those top jobs. CHROs who want to take the CEO path must be more willing to engage with the financial aspects of the business. “Think of yourself as a business leader who just happens to work in HR,” Oates-Forney said.

One way to acquire the necessary financial skills is to join a for-profit board of directors. This can help leaders develop



“CHANGE WILL NOT HAPPEN BY ACCIDENT. EFFECTING REAL CHANGE WILL REQUIRE INTENTIONALITY AND STRATEGIC VISION. WE MUST LEAD WITH INCLUSION AND DIVERSITY, CHAMPION RESPECT AND CIVILITY, AND EMPHASIZE OUR COMMONALITIES OVER OUR DIFFERENCES.”

— JOHNNY C. TAYLOR, JR., SHRM-SCP, PRESIDENT AND CEO, SHRM

the financial skills CEOs need to lead a successful business. Board members also get to see CEOs in a different light than the average CHRO, which gives them a better understanding of the rigors of the job.

Getting your first board seat with a for-profit company can be challenging because many companies only want experienced board members. Oates-Forney suggested CHROs look for opportunities on the boards of startups or portfolio companies of private equity firms, which are often more willing to accept new members without prior for-profit board experience.

HOW TO OVERCOME RESISTANCE AND MAKE YOUR HR TEAM MORE STRATEGIC



Although she was hired with a mandate from leadership to transform the HR department in a more strategic direction, **Houston Texans CHRO Anita Martin** says she quickly encountered resistance from long-time HR employees who felt threatened by the change that she was bringing to the organization.

Martin realized she needed to build credibility with her team. Everyone needed to understand that her ultimate focus was on improving the department so that, eventually, the department could improve the entire organization.

“I’m not here to change what you’re doing. I’m here to change what this organization is doing. I hope that you’ll join me,” she recalled telling her new team.

Martin explained that her recipe for overcoming resistance to change had three simple pillars:

Fairness. She ensured every decision she made was fair and even-handed so that employees understood the changes would affect everyone equally.

Consistency. Changes need to be applied reliably if you’re going to be seen as a credible leader. Otherwise, people won’t know what to expect from each decision, and the fear and uncertainty will continue.

Transparency. Your team needs to know what you know. Martin said she made a point of never pretending she wasn’t aware of a situation to avoid saying she couldn’t discuss it. By

embracing transparency, she ensured employees didn’t have to guess about her intentions.

Embodying those pillars helped her build support for the policies and procedures that would create the change the organization needed. “Policies should be established. Processes should be aligned with policies. And people should be aligned with both,” she said.

CREATE YOUR ‘GREAT 8’ PRINCIPLES TO LEAD WITH CLARITY AND REDUCE CONFLICT



Leaders need bedrock principles to provide certainty in times of disruption. Sharing your personal guiding principles can also help others work alongside you effectively, said **Paul Falcone, an author, consultant, and former HR executive at NBCUniversal and Paramount Pictures.**

Falcone suggested that HR leaders create a personal set of eight expectations that will serve as “rules of the road” for anyone they collaborate with, such as “Have one another’s backs” or “Demonstrate accountability in all you do.”

A well-defined “Great 8” list of principles can reduce conflict by establishing what you value as a leader. Encourage staff to keep a copy of your list handy and to use it as a diagnostic tool when things go wrong to create a shared understanding of what to do next. When conflicts arise—or there’s ambiguity about what to do next—the people you’re leading can look to your list to understand what’s expected of them.

Every “Great 8” list is personal. It’s important that your list reflects what you actually value, rather than following someone else’s recipe for success. “It’s important that I share my professional values with you so that you understand what motivates me and what I believe in. I’m sharing my expectations so you can reset yours,” Falcone said.

The list doesn’t have to be one-sided. Tell workers you’d welcome them creating their own lists, exploring how they like to work, and discussing them with you at a future date. The exercise is intended to create clarity by establishing a shared sense of how people work together effectively.

BREATHWORK TO BOUNDARIES: 4 WAYS TO CALM STRESS AND FIGHT BURNOUT



You've been given three more priorities by Wednesday, and you're still trying to slog through your to-do list from last week. When your task list continues to grow, have you ever felt your body's fight-or-flight response kick in?

Gloria Chan Packer, mental wellness educator and founder of

Recalibrate, shared some of her strategies for helping you turn down your body's responses, adjust your workload, and set boundaries so that you can avoid landing on the crispy side of burnout:

1. Implement breathwork. Take conscious time to focus on your breathing. Taking longer exhales can turn on your body's parasympathetic response, which can help calm and de-stress your body.

2. Find social connection. Spending time with family, friends, or co-workers and just connecting one-on-one has been proven to reduce stress.

3. Buy yourself time. Replying to requests with questions or setting up a preliminary call can help buy additional time and give you more context before accepting new tasks.

4. Decide which levers you can adjust. Examine your workload and identify areas where you can adjust resourcing or rebalance your time.

BUILD A WINNING CULTURE ON INNOVATION, LEARNING, AND HUMILITY



In a business climate punctuated by disruption, many companies choose familiar paths. SharkNinja, a global product design company, aims for a different route of “outrageously extraordinary” performance, based on continuous learning and mindful leadership.

The keeper of that culture, **SharkNinja Chief People Officer Elizabeth Norberg**, spoke on a Visionaries panel with **Bob Rothman, President of Gap International**, a global management consulting firm. Norberg highlighted key pillars of that culture strategy:

Relentless prioritization. Being an HR executive is a balancing act. You're juggling numerous priorities while also managing stakeholder and customer expectations. The important thing is to recognize what's most important.

“You've got to maniacally focus and prioritize. Don't expect to go through your entire to-do list” each day, advised Norberg.

In fact, how you manage your workload as an executive will have a direct impact on culture. Leading from a place of strength and a positivity will help your team operate smoothly.

The SharkNinja culture was developed based on a series of key performance indicators (KPIs) that the company identified as most important. The team reviews these KPIs yearly as an executive team and rates their company progress against it. Norberg attributes a core part of the company's success to a pervasive “We can do it” approach.

A learning mindset. The frame of mind you keep is especially important for success. Norberg noted that the

voice inside your head makes a big difference on how effectively you lead—as does the voice you use with employees.

“The words you use create that world around you,” Norberg said.

Norberg advises operating with the mentality of humility and continuous learning.

“The phrase ‘outrageously extraordinary’ was born around setting a high bar, relentless goals, being the explorer, and always pushing to win big,” Norberg said. “It doesn't come from hubris... It's about: 'How can we continuously learn?' ”

Thinking differently. As a leader, she said, it's essential to leave old assumptions at the door to make room for new ways of thinking.

“Working with Gap International has been transformative for SharkNinja. They challenge our old assumptions and help us shift our mindset, enabling us to constantly achieve breakthrough results,” Norberg said.

Crowdsourcing solutions. Norberg said SharkNinja also leans heavily on its employees to identify potential growth moments. One unique strategy: The team conducts hackathons to identify problems that need to be solved—a method that can be applied to any aspect of human capital. ■■

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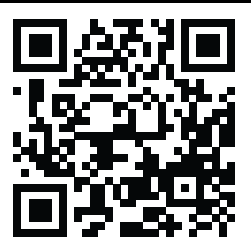
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Stephanie Fehr is chief people officer at UnitedHealthcare, where she leads the HR strategy for the company's 160,000 global and domestic employees. Before joining UnitedHealthcare in 2017, she spent 17 years in various HR and talent leadership roles at Apple and led the development of the Apple retail stores' talent strategy.

As part of *People + Strategy* articles editor Adam Bryant's "Strategic CHRO" series on LinkedIn, he sat down with Fehr to discuss her career path and her views on leadership, hiring, and change management.

'You've Got to Be Comfortable with Ambiguity and Change. You Have to Be a Learner'

People + Strategy: What big changes have you seen in the CHRO role during your career?

Stephanie Fehr: It's a very different landscape in many ways. The complexities of the job are very broad. We're dealing with five different generations in the workforce. We're dealing with an aging demographic. And we're dealing with global issues that are very sensitive and personal to people, like the Middle East conflict.

So, there are many variables that create a more challenging landscape when creating an employer-employee value proposition today. I don't think it was that complicated when I started in HR. People have much greater expectations of their companies now than they did even 10 years ago.

P+S: How did you get into the field in the first place?

Fehr: I discovered it along the way. I was a 16th-century literature major—Shakespeare, to be exact—and wanted to be a professor. I was planning

to get a Ph.D., but I worked for Pan Am right out of college as a purser on international routes. I did that for three years and experienced a difficult environment at the company because of the unions.

I'm not anti-union, but I was struck at a young age by how much easier

and better it would be if we could create a proactive strategy where people felt like they were owners of the business and have a chance to work directly with leadership. I became intrigued by the question of how you create an environment where people feel really cherished and valued while also balancing that with the needs of the business.

P+S: Your role requires a lot of resilience, comfort in uncertainty, and a willingness to always be learning. Where does that come from for you?

Fehr: I get bored with the status quo. I like a lot of movement and change. When I was 7, my parents were divorced, and that was transformational for me because our family unit was suddenly turned on its head. My mother was a stay-at-home mom, and she was caught flat-footed.

She returned to school to become a registered nurse while raising my brother and me. I learned from her the importance of being self-

Stephanie Fehr



sufficient, really on the balls of my feet, and ready for change. At a young age, I recognized that continuous learning was going to be critical to my survival and flourishing. That was always at the forefront of my mind—how do I keep growing, learning, and acquiring new skill sets?

P+S: How do you hire? What qualities do you look for, and what questions do you ask in a job interview?

Fehr: Authenticity is so important—somebody who feels really comfortable in their own skin. People need integrity and transparency from their leaders, and you can only get that from people who feel comfortable with who they are. So, I look for authenticity. I look for resiliency. I look for people who are comfortable with ambiguity.

To get at those qualities, I like to ask about when they have faced adversity in their life, how they dealt with it, and what they learned from it.

You would think that everyone would learn from their experiences, but most don't. There is this special quality that a minority of people have of taking an experience and sucking the marrow out of it and applying those lessons to new behaviors. That's what I look for and listen for in an interview.

P+S: Most assessments and 360s use benchmarks and archetypes for a world that no longer exists. How do you cast forward to understand whether someone will succeed in a leadership role now and in the future?

Fehr: I agree that many assessments have not been very predictive of success. There is less structure today and more velocity. The problems are harder to solve. You have new technology, like AI, that everyone is still working to understand in terms of its role and potential.

So, you've got to be comfortable with ambiguity and change. You have to be a learner. You have to be OK with conflict.

These skills are in short supply, frankly. Human beings are drawn to comfort and safety. If you want to be a learner, you have to be able to lean into discomfort and be out on that hairy edge of taking risks.

Those qualities are still important despite all that's unknown about the future.

P+S: Let's shift the timeline to earlier in your career. What was a leadership lesson you learned from a particularly bad boss?

Fehr: Some of your worst leaders are your best teachers. You can see certain behaviors and decide that you don't want to be seen that way. That's helped me a lot. I treat people the way I want to be treated. Just because I'm sitting in a leadership chair doesn't mean that there aren't smarter people who work for me. So I really want to make sure I create environments where everybody feels like we're on equal footing.

I saw people who did the opposite. Early in my career, I saw a leader of a very large organization come in with a lot of position power and arrogance. That immediately shuts down the organization, and I've seen that happen more than once. There's just something about being authentic and humble that goes a long way as a leader.

P+S: What career advice do you give to college students?

Fehr: You spend an awful lot of time at work, and it has to be meaningful to have a meaningful life. You have to gravitate toward things that you care about. You have to have a reason for doing what you are doing.

I also tell people to keep learning. It's easy to say and harder to do. It's a practice, and it's something I say to my kids all the time. When you go to bed at night, what did you learn today? Do some reflection.

You need to develop that active muscle to work on reflection and self-awareness. ■■

ON LEADERSHIP ...

"Just because I'm sitting in a leadership chair doesn't mean that there aren't smarter people who work for me. So I really want to make sure I create environments where everybody feels like we're on equal footing. ... There's just something about being authentic and humble that goes a long way as a leader."

ON LEARNING ...

"At a young age, I recognized that continuous learning was going to be critical to my survival and flourishing. That was always at the forefront of my mind—how do I keep growing, learning, and acquiring new skill sets? ... If you want to be a learner, you have to be able to lean into discomfort and be out on that hairy edge of taking risks."

ON LIFE ...

"You spend an awful lot of time at work, and it has to be meaningful to have a meaningful life. You have to gravitate toward things that you care about. You have to have a reason for doing what you are doing."

How CHROs Can Be the Drivers of Ethical AI Adoption and Empowerment

By Abhishek Gupta, K. Hannah Friedman, and Brad Winn

There is little doubt about the transformational potential of artificial intelligence as it becomes more integrated into human systems and processes. We're heading into a future where AI acts as a co-worker, a friend, and a ubiquitous presence. As organizations make strong moves toward adopting AI into all aspects of their

operations, the choice of who stewards the internal adoption and ethical use of the technology will have a tremendous impact on the final outcomes of this transformative journey.

For many organizations, the CIO or CTO is leading the AI charge, developing best practices and advising the CEO as new technology is introduced.

While their expertise is essential, it is critical that the CHRO play a leading role in AI adoption strategy as well. This is because ultimately, AI is more than a technological advancement—it will fundamentally become a social and intellectual transformation.

CHROs are uniquely positioned to execute the vision of integrating AI



into the organization and empowering employees to use it. Their role is distinct from other C-suite roles, making them particularly well-suited for this task. Their approach can ensure sizable business and operational benefits while encouraging ethical practices and outcomes.

In contrast to other C-suite roles, which may focus more on financial performance, technology infrastructure, or overall business strategy, the CHRO's people-centric focus, expertise in talent development, and role in shaping organizational culture uniquely position them to lead the successful adoption of AI in a way that empowers employees, thus complementing the value that other C-suite leaders offer in the AI adoption process.

Given that introducing ethical and effective use of AI requires a cultural shift toward openness, adaptability, and continuous learning, the CHRO has significant influence in maintaining a focus on people and culture.

A Culture of AI Empathy

AI is fundamentally transforming our culture. As early as 2018, Google CEO Sundar Pichai compared it to the advent of fire or electricity. Today, AI-powered tools are changing the nature of work. Daily tasks, company culture, and business strategy are all undergoing seismic shifts. AI tools will eventually impact every area of life: education, art, creativity—even our relationships with one another. On a much deeper level than any technology we've seen before, AI is changing the way people think and navigate the world. And people are HR's business.

CHROs are tasked with answering these questions and others: What do we owe to ourselves, our colleagues, and our stakeholders? How can our company balance financial goals with employee needs? What does it mean to act with integrity?

Ethical behavior depends on accountability. As a baseline, leaders must take responsibility for the consequences of their actions. As we adopt AI tools, it's time to double down on that commitment. We may be able to outsource quantifiable tasks, such

“People who use GenAI at work commonly describe it as a precocious intern—smart, well-read, efficient, but not qualified to lead a business. ... But as AI becomes more sophisticated, it will potentially contribute more like a business partner than an intern.”

as research or statistical analysis, but HR can never deputize AI as a final decision-maker. As AI tools grow more sophisticated, this will only become more important. This is especially critical for HR-related tasks that require a human-to-human interaction, such as the Americans with Disabilities Act's interactive process (*see box below*).

A Culture of AI Monitoring and Modeling

CHROs play a key role in establishing and enforcing ethical standards within the organization. They must ensure that AI is used in a manner that aligns with the company's values and mission. The CHRO's focus on inclusion and diversity positions them to address and mitigate biases in AI systems, ensuring AI tools promote equality. There is tremendous potential to *bake in* ethical AI adoption and design, rather than *bolt-ing it on* after the integration journey.

To ensure that AI adoption does not negatively affect employee well-being, CHROs should monitor and regularly assess AI's impact on employees' workload, stress levels, and job satisfaction. The goal of AI adoption is not just to achieve business outcomes but also to improve employee outcomes. During the transition, HR should offer support mechanisms, such as counseling services or wellness programs, to help employees adapt to changes brought about by AI. For example, talking openly about job-loss concerns can help address latent apprehensions that employees might have when such a transformative change is being adopted.

As we practice using AI in an ethical, responsible way, we must simultaneously work toward a world in which AI itself is ethical. Whether or not we think of AI as being conscious, it already has the power to suggest actions with far-reaching ethical ramifications.

EMPATHY VS. ALGORITHMS: WHERE TO DRAW THE LINE ON AI DECISION-MAKING

While HR can use generative AI to help solve certain quantifiable tasks, it should never deputize AI tools to be the final decision-maker, particularly in important human or legal choices. Consider this example: GenAI tools are already skilled at synthesizing information. When an employee asks for an Americans with Disabilities Act (ADA) accommodation, an AI-powered tool can help come up with possible solutions. It can analyze the request, the company's resources, the demands of the job, and other factors. It can respond with a list of equitable, practical solutions. However, the ADA requires HR to engage in an “interactive process” with workers seeking accommodations. That means a human needs to connect with the employee, learn about their needs, and make personalized suggestions.

As of yet, large language models don't generate new ideas. They predict likely answers based on pre-existing information from a large dataset. But they don't have the human spark of spontaneous creativity. GenAI doesn't have a cousin with hearing loss or a best friend with chronic pain, nor personal experience with panic attacks. Acting ethically requires empathy, intuition, and wisdom. Today, those are still fundamentally human qualities.

People + Technology

How CHROs Can Be the Drivers of Ethical AI Adoption and Empowerment

“Even if AI never becomes the final decision-maker, its suggestions will have a growing impact on human behavior, especially at work. To ensure our own ethical use of AI, we need to train our analytical tools to consider ethics and incorporate our own values into their responses.”

People who use generative AI (GenAI) at work commonly describe it as a precocious intern—smart, well-read, efficient, but not qualified to lead a business.

Like any other intern, AI is learning fast. In the near future, leaders will use large language models to assist with more complex and sensitive tasks. These tools will have access to significantly more data, playing a major role in high-level business decisions

An intern can be at odds with your company values and still accomplish everything you need from them. But as AI becomes more sophisticated, it will potentially contribute more like a business partner than an intern. At that point, if the AI tool is at odds with company values, the risks become much higher.

In and of itself, GenAI isn't ethical or unethical—yet. It is learning rapidly and growing more complex, and it may even become capable of critical thought. Even if AI never becomes the final decision-maker, its suggestions will have a growing impact on human behavior, especially at work. To ensure our own ethical use of AI, we need to train our analytical tools to consider ethics and incorporate our own values into their responses.

Mo Gawdat, former chief business officer at Google X and bestselling author, says it's our job to teach ethics to AI. He compares the process to parenting. To be good “parents” or stewards of AI, human users should give it the information it needs to understand human values. In some cases,

that means training AI tools on ethical texts, real-world scenarios, or thought experiments like the ever-popular trolley problem. On a broader scale, it means leading by example. By consistently demonstrating ethical behavior, leaders can develop tools that reinforce their values.

CHROs have a unique opportunity here. AI will inherit the bias of its human creators and teachers. For moral, legal, and compliance reasons, HR departments are always working to mitigate bias. Balancing ethical issues is the bread and butter of people management. With this expertise, HR is perfectly positioned to spearhead the ethical use of AI.

To achieve that goal, CHROs can focus on two strategies: teaching AI to consider these complexities, and carefully monitoring AI's behavior when facing ethical dilemmas. If we are ultimately accountable for the actions suggested by AI, we need to learn how to recognize when it falters. To that end, HR should be responsible for designing and enforcing guidelines that teach, model, and monitor for the appropriate use of these tools.

A Culture of AI Transparency and Accountability

A CHRO's experience managing large-scale organizational changes—such as mergers or shifts in business strategy—is critical when guiding an organization through the transformative changes associated with AI adoption. CHROs are typically skilled in driving employee engagement, a vital component of successful change management. So, by being transparent and involving employees in the AI integration process, the CHRO can proactively address concerns and foster a sense of ownership and acceptance. This strategy makes AI adoption more natural than it would be under a forced mandate from organizational leadership.

Transparency and fairness need to be high priorities when designing an AI adoption strategy. Everyone—from leadership to employees to clients—has a right to know when AI tools are involved in a certain process. For example, when is it appropriate to use AI as a recruiting tool? Some tools can reduce implicit bias, expanding your talent pool and furthering your efforts to be inclusive. But if you are feeding an AI tool biased data, it can have the opposite effect. This is already an ethical issue, and we can expect it to become a legal one.

Up to this point, we've seen few federal or state regulations around the use of AI, but CHROs can expect that to change dramatically. Lawmakers are racing to keep up with the pace of innovation, and they're closing the gap. AI will eventually become a major com-

“Humans are ultimately accountable for their decisions. Using AI ethically means we use AI as a powerful tool, without relinquishing our decisions or responsibilities to something that was created as a tool. We, not our tools, maintain responsibility for making even the most difficult ethical decisions.”

pliance issue, and HR should prepare by developing clear, systematic, and transparent processes for anticipating and responding to regulatory changes.

In the end, humans are ultimately accountable for their decisions. Using AI ethically means we use AI as a powerful tool, without relinquishing our decisions or responsibilities to something that was created as a tool. We, not our tools, maintain responsibility for making even the most difficult ethical decisions.

A Culture of AI Learning and Development

CHROs have unparalleled expertise in identifying skills gaps and developing comprehensive training programs. This capability is essential for reskilling and upskilling employees to work effectively alongside AI, rather than seeing it as a competitive dynamic.

HR leaders have always been responsible for designing career paths and development opportunities, and they can ensure AI integration enhances career growth and progression. In this era, they can use those skills to ensure that AI empowers human workers, instead of reinforcing the narrative of AI as a threat.

If companies want to keep up, they should invest in increasingly robust learning and development programs. HR should conduct regular skill assessments and develop customized training programs based on the results. These programs should go beyond technical competencies, such as data literacy, to also teach adaptability and critical thinking to employees.

Honing these soft skills not only sets human skills apart from AI's capabilities; it teaches employees how to ethically work with AI and with one another.

An Empowering Approach to AI Adoption

The CHRO will play a pivotal role in guiding organizations through the transformative journey of AI adoption. By aligning AI initiatives with business goals, fostering an AI-ready culture, developing talent, redefining job roles,



“The CHRO’s unique focus on talent management and change management leadership makes them the ideal executive to steward the successful integration of AI.”

ensuring ethical AI use, facilitating collaboration, and supporting employee well-being, the CHRO can help organizations harness the full potential of AI while empowering employees to thrive in an AI-enhanced workplace.

The CHRO’s unique focus on talent management and change management leadership makes them the ideal executive to steward the successful integration of AI. Their ability to balance the needs of various stakeholders, advocate for employees, and align AI with human capital strategies ensures that AI adoption leads to sustainable growth and success for the organization and its workforce.

By embracing this responsibility and proactively guiding their organizations through the AI revolution, CHROs can position themselves as strategic leaders, driving innovation and shaping the future of work.

The successful adoption of AI is not just about technology; it’s about empowering people and creating a cul-

ture that thrives in the age of AI. And that is precisely where the CHRO’s expertise and leadership will prove invaluable. 🧩



Abhishek Gupta is the director for responsible AI at Boston Consulting Group, as well as the founder and principal researcher at the Montreal AI Ethics Institute.



K. Hannah Friedman is a content developer at Paycor, an advocate for LGBTQ+ trauma survivors, and a board member of The Breathe Network.



Brad Winn is a professor of leadership and strategy in the Huntsman School of Business and executive MBA director at Utah State University. He is also a principal of Winn Consulting Services.



Rethinking 5 Common Boardroom Norms

Directors are laser focused on sound processes. But are some of the long-held assumptions about directors' processes past their expiration dates?

Dawn Zier sat down with three experienced board members to discuss whether (and why) boards should rethink the conventional wisdom around the role of their directors.

Participants

Betsy Atkins, board member at Wynn Resorts, SolarEdge, and Google Cloud

Anna Catalano, board member at HF Sinclair, Frontdoor, Ecovyst, and Hexion

Dave Goebel, board member at Wingstop Restaurants, Murphy USA, and iOR Partners and independent chairman of the board for Jack in the Box/Del Taco

Moderator

Dawn Zier, former CEO of Nutrisystem, director at Hain Celestial Group, Prestige Consumer Healthcare, and Acorns

1. ‘Noses In, Fingers Out’

DAWN ZIER: We have all heard the phrase “noses in, fingers out” with respect to how directors should think and act. Given all that has transpired over the last four years, is this perhaps antiquated thinking, and should directors be leaning in a bit more?

ANNA CATALANO: I’ve been on boards for over 20 years, and the director role has changed a lot. Generally speaking, the phrase “noses in and fingers out” can still apply, but there are a lot of degrees to that. Directors certainly have the capability of diving in because we’ve all had years of executive experience. When there are situations where that’s required—and there’s been more of them lately—we should do it. But the default needs to be to go back up.

If you picture an eagle flying very high, it’s able to dive down. But the first thing it does after it accomplishes its mission is to go right back up. From a governance standpoint, directors should default back to a higher altitude when those things that needed the deeper focus are done. Preserving the distinction between director and leadership roles is important.

BETSY ATKINS: It’s fair to say that boards are more engaged now than they typically have been, and perhaps that’s the result of going through the extreme COVID-19 situation, where we all had to rethink the way work gets done. However, the level of engagement required of directors is situational. If there is something very significant going on in the company—for example, an

acquisition, divestiture, restructuring, major business disruption, or succession change—there is naturally going to be a much higher level of board input.

Also, with the advent of large language models, we will see an acceleration in the rate of business model change, which will also drive engagement. With that being said, “noses in and fingers out” is still a good mantra, with the board asking the thought-provoking questions that influence and challenge management’s thinking.

DAVE GOEBEL: I don’t think there’s necessarily a list of macro topics that would suggest directors should be leaning in more. I think it can get very confusing when that happens. As new topics come across the transom, the CEO should bring those topics forward, and sometimes the board will need to go down the ladder a little bit. But for the most part, boards should stay out of the soup.

One exception to this is during a CEO transition. There’s no question when a new CEO steps into the role that the board chair is going to lean in more, drive onboarding, and help coach until the training wheels are ready to come off.

2. Unanimous Votes

ZIER: Given the push for diverse perspectives in the boardroom, coupled with the complexities that corporations are facing, does it surprise you that unanimous consent and unanimous votes are still the norm?

ATKINS: It’s a matter of litigation avoidance. If you vote “no,” you go on the record and you create a vulnerability, a

wedge, for an external class-action or derivative suit. That’s why we see so much unity. If it’s clear that alignment can’t be reached during the lead-up discussions, most often the topic will get tabled before a vote takes place.

GOEBEL: Debate can and should take place in the boardroom and if someone has a dissenting point of view, it should be heard. What I don’t want to see are pocket vetoes. Have the conversation, and if a director is not comfortable, they can abstain, or the board can decide not to move forward if they feel they need complete consensus. I see the importance of certain votes being unanimous, but I don’t think all need to be.

CATALANO: A unanimous vote is an endpoint. It’s hopefully a result of a very fulsome conversation before the vote that actually gives all directors a chance to voice their views. I’ve been involved in many situations where the initial dialogue has not been unanimous, but really good conversations take place, dissenting opinions are heard, the issues are worked through, and alignment is reached. We can disagree as directors, but at some point, a decision has to be made. And once that decision is made, we need to move forward with it in a unified fashion and support it. Boards should not be giving conflicting messages to management.

3. Shareholder Activism

ZIER: Many boards and management teams view shareholder activism as distracting and not necessarily maximizing value for all shareholders. Do you

“We can disagree as directors, but at some point, a decision has to be made. And once that decision is made, we need to move forward with it in a unified fashion and support it. Boards should not be giving conflicting messages to management.”

—Anna Catalano



Directors Roundtable

Rethinking 5 Common Boardroom Norms

think this is a valid mindset? Or does constructive activism drive superior outcomes, and should boards be more welcoming?

GOEBEL: The best approach to avoiding an activist is, first and foremost, to stay ahead of them and be your own activist. Challenge yourself to ask: “If we were an activist looking in, where are our vulnerabilities? What things are we not paying enough attention to that we should?”

Secondly, never stiff-arm an activist. Have an open mind, and be willing to listen. We’ve seen situations where an activist can bring some fresh thinking that’s not just short term or self-interest. But it’s never fun, because it’s always distracting. Sometimes there’s value, and sometimes there’s not.

CATALANO: Generally speaking, the reason we’re wary of activists is because they introduce ideas or timelines that boards and management teams are not comfortable with. I firmly believe that



if an activist brings up a topic that the board hasn’t already considered, you likely have the wrong group of people sitting around the table.

I’ve always been stunned at how much an activist knows about the business. They’re outsiders, so they don’t have all the context, but they know a lot. If you can engage with an activist around why they’re coming in, walk them through the context of what they might be missing and why you may or

may not want to pursue certain avenues, then that’s a good start. You need to assess if their plan is to be constructive and add value to the long-term sustainability of the company or are they looking for an easy, short-term win. There’s a big difference between those two positions.

One of the areas where activists often have success is in driving a change in board composition, especially if a board can be viewed as entrenched. Good boards are proactive in driving board refreshment and assessing any gaps they might have, long before an activist comes on the scene.

ATKINS: There’s a continuum of activists, so it’s important to know who you’re speaking with.

Activists, as a general rule, tend to have a shorter-term time horizon. Some of them have very good ideas, while others are just looking for a quick way to pop the stock price—buybacks, for



“The best approach to avoiding an activist is, first and foremost, to stay ahead of them and be your own activist. Challenge yourself to ask: ‘If we were an activist looking in, where are our vulnerabilities? What things are we not paying enough attention to that we should?’ ”

—Dave Goebel

example, which might not be in the long-term best interest of the company.

There are also situations where activists can provide a needed mechanism for change that results in a healthy shake-up. An example of this is when a company is a long-time underperformer and the board fails to remove the CEO. There are many constructive activists, but there are also some abrasive and badly behaved activists who won't collaborate and aren't professional. Boards should always listen to their shareholders with an open mind. You can't refuse to do that just because they're labeled, but you need to do your homework to understand their playbook.

4. ESG and Diversity Initiatives

ZIER: ESG and diversity initiatives have been a focus in the boardroom over the past few years. Now, many corporations are facing pushback. How should boards be thinking through this as we move forward?

CATALANO: I grew up in the oil and gas industry, so I've been very familiar with environmental issues, even before ESG was a thing. Regardless of pushback or backlash, if it is the right thing to do for the business or for its people, then the board absolutely needs to make sure it's getting done—whether or not anyone's watching or measuring you.

Many boards have gotten caught up in “check the box” [with diversity]. Do we have a sustainability report? Are we measuring diversity? If you look at these things as an activity rather than a purpose for why you're doing something, it's a mistake. If a board is thinking that we may not need to do this anymore, then they've been doing it for the wrong reason.

GOEBEL: There will always be issues that are hot potatoes with proxy advisors and investors—often social or political in nature—and I always counsel the board to be thoughtful, introspective, and measured. Forget the acronyms and the labels for a moment and focus on what's underneath that. Having diverse



The Hidden Costs of Disclosures

Because Betsy Atkins has spoken out on the increased number of required disclosures that companies have faced in recent years, we asked her to weigh in on the ramifications of these mandates.

ATKINS: People rarely go back and do the forensics around the costs of these requirements. It's sizable, and the culmination of all that we are required to do can impact profit margins considerably and reduce cash necessary for innovation and growth, especially for smaller companies.

When [the Sarbanes-Oxley Act] was put in place, the estimated cost of doing it was a modest \$91,000 per company. The real costs turned out to be \$4 million to \$6 million, and IPOs dropped by 75%. Now, it's averaging around \$2.8 million. That's a lot of money if you're a \$100 million company making after-tax profits of \$10 million. It's a 30% hit to profit that could have been invested in product or innovation to drive growth.

We had the same thing with [the Dodd-Frank Act] in 2008, and now we have this ratcheting up of regulations and reporting requirements that's further going to erode margins. The new SEC regulation on climate is estimated to cost \$864,000 per company. At one of my companies, we've already spent close to \$2 million on consultants. We're not even reporting yet, but we're \$5 million to \$6 million in.

This regulatory avalanche diverts so much time and resources away from the “business of the business,” and nobody is speaking about it as a concern.

thoughts and diverse opinions in the boardroom and within the leadership ranks will always be important.

We should ask ourselves: Did the pendulum swing too far, and how do we ensure that it doesn't swing too far back? I think investors and the like have every

right to state their opinion and their preferences. But just like with any other topic, they should not try to force that right onto others. Instead, they should bring forward a balanced dialogue around “Here's what we think, and we'd ask you to open your mind and ask

Directors Roundtable

Rethinking 5 Common Boardroom Norms



“We should have more Gen Z- and Millennial-age cohorts in the boardroom. We should ask ourselves why we aren’t bringing more international colleagues into the boardroom when most big companies do more than half of their business outside the United States. Where is the scrappy entrepreneur? The union member? The non-Ivy Leaguer? ... Diversity has to be more broadly defined and should encompass many different experiences.”

—*Betsy Atkins*

yourself these important questions as to whether or not you should be leaning in the same direction.” Organizations and companies should not be put in a situation where they feel everything is becoming a mandate.

ATKINS: What we really are looking for is diversity of thought and ideas, and I don’t think it should just be based on gender or ethnicity. We need to expand the programmatic approach that focuses on some micro-identity segmentation algorithm and create a meritocracy that defines diversity more broadly.

For example, we should have more Gen Z- and Millennial-age cohorts in the boardroom. We should ask ourselves why we aren’t bringing more international colleagues into the boardroom when most big companies do more than half of their business outside the United States. Where is the scrappy entrepreneur? The union member? The non-Ivy Leaguer? I don’t care what their gender or ethnic background is, if directors are all from the same socioeconomic background, they’re likely to think the same. Diversity has to be more broadly defined and should encompass many different experiences.

5. Director Feedback

ZIER: Boards tend to ensure their CEO and management teams go through a rigorous annual performance review process.

Yet, on many boards, the annual board evaluation process is a fairly generalized survey where there is limited feedback on the individual directors. Should this change?

GOEBEL: The checkbox board evaluation process is something we need to leave behind. Good boards today are taking their evaluation process very seriously.

A process that I find to be effective is giving every director the opportunity to review all of their colleagues. The board chair or the chair of nominating/governance then aggregates that feedback and has a conversation with each director about what they do well and where they need to think about performing better.

Gone are the days of people sitting on boards that are not fully participative and adding value.

The board evaluation process should have a level of rigor to it similar to a management evaluation process.

ATKINS: Similar to Dave, I find that the traditional board survey doesn’t add a lot of value because directors are careful about what they put in writing to avoid a smoking gun for a lawsuit. I believe the correct process is that the lead director, board chair, or governance chair should have a robust conversation with each board member to gather input on the performance of the board as a whole, the performance

of the CEO, and the performance of individual directors.

CATALANO: Board evaluations should not be looked at as a separate activity. They should be part of overall governance where you assess board composition, skill sets, and gaps. We make a mistake when we bring people onto boards in allowing them to think that they can stay on in perpetuity until some artificial thing happens like a term or age limit is hit. One should stay on for as long as their skills are helpful to the organizational strategy and what that executive team needs in terms of advice. We need to do a much better job of setting that expectation.

Board evaluations need to be about the board in its entirety. Even if directors are evaluated individually, it should be done in the context of how they contribute as a group, not just as individuals. We should be asking: Do we have the right voices around the table? What are the things that each individual director is contributing to support the direction of the enterprise? What are the things we wish they would do more/less of? What new skills do we need? ■■

The Directors Roundtable was hosted by



Dawn Zier, the former CEO of Nutrisystem and a current board member at Hain Celestial Group, Prestige Consumer Healthcare, and Acorns.

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The Case for Modern Immigration Reform

By Emily M. Dickens, J.D.

The U.S. stands at a critical point with workplace policy, as businesses nationwide face labor shortages that are not likely to subside without policy intervention. To remain competitive in today's global economy, it is essential that the U.S. government come together with the business community. The goal: to address the shortcomings of the U.S. workplace immigration system, which has become outdated and unable to serve the needs of the modern workforce.

Businesses need a workplace immigration system that is predictable, efficient, transparent, and fair. To achieve that goal, the U.S. business community—and particularly HR executives—need to vocally advocate for these reforms.

According to SHRM data, a third of U.S. businesses say their local job market isn't producing enough qualified candidates, and more than three-

quarters of organizations have had difficulty recruiting for full-time regular positions in the last 12 months. Under-scoring the critical role of immigration in supplementing workforce shortages, SHRM research found that among organizations that have hired foreign-born talent, nearly 2 in 3 (65%) report that this strategy has been somewhat successful (53%) or very successful (12%) in addressing hard-to-fill positions.

The increase in skilled workers not only enhances productivity but also drives innovation, thereby positioning the U.S. as a leader in global markets. It is critical for businesses to signal support for policies that remove arbitrary barriers to accessing foreign-born talent.

Closing the Workforce Participation Gap

U.S. businesses do not have access to the talent they need to fulfill current talent requirements, much less their

future needs. Declining birth rates and the aging population will continue to pose significant challenges for businesses and affect employers' capacity to attract and retain a skilled workforce.

The labor participation gap, which is characterized as the difference in employment between various groups, will only widen without properly addressing the root causes. The disparities in labor participation and growing skills misalignment means that federal policymaking needs to be smart and forward-thinking, with both long-term and immediate solutions.

Strong labor participation is fundamental for economic sustainability and growth, and immigration is a key strategy to address immediate gaps. Businesses require a diverse mix of skills, expertise, and perspectives to thrive, and foreign-born workers can help meet these needs.

Critical Sectors Face Labor Shortages

Despite the demonstrated need and desire for these workers, employers are having a tough time accessing foreign-born talent because of archaic laws that create bureaucratic nightmares and artificial stopgaps to legal employment. Additionally, the availability of visas often does not align with labor market demand. SHRM research shows that 57% of organizations say they would benefit from an increase in available and legally authorized workers on visas, whether temporary or otherwise.

The current labor shortages are particularly acute in sectors that require highly specialized skills, including:

- **Technology:** The tech industry faces a shortfall of skilled professionals, with companies struggling to fill positions in software development, cybersecurity, and data analysis.
- **Health care:** Hospitals and clinics

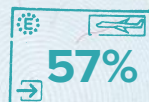


What HR Leaders Say About Immigration

SHRM asked 2,500 HR leaders about the impact of the current immigration system on their organizations. Here's how they responded:



said increased immigration encourages economic growth and makes the U.S. more globally competitive.



reported that they would benefit from an increase in legally authorized workers on visas.



said the United States is losing out on top talent to other countries because of the current U.S. immigration system.



disagreed that increased immigration would make it harder for U.S. citizens to find jobs.

Source: *Workplace Immigration*, SHRM Research, 2023.

are dealing with staffing crises, particularly in nursing and specialized medical fields.

- **Agriculture:** The agricultural sector heavily depends on seasonal and migrant labor, and current visa restrictions are causing significant disruptions.
- **Construction:** The construction industry is experiencing worker shortages, which delay projects and increase costs.
- **Services:** Service industries, including hospitality and retail, are also encountering shortages, affecting customer experience and business operations.

Many industrialized nations are facing similar labor pressures. As the demand for talent transcends borders, policymakers globally are looking to attract and retain talent, frequently looking to what the U.S. is doing—or not doing—as an example. It's imperative for U.S. policymakers to recognize that international recruitment is crucial for the long-term success of U.S. businesses.

Global Mobility and Access to Talent Is a Business Imperative

Business leaders play a critical role in advocating for comprehensive workplace immigration reforms that support workforce development, economic growth, and American competitiveness.

Businesses must encourage Congress to view immigration as a solution to closing the workforce participation gap, rather than as a political quagmire. Federal investments in workforce development must include immigration reform to ensure a sustainable and skilled labor force and to maximize the return on that investment.

Businesses can only work within the confines of current immigration law, which is mired in inefficiencies, outdated concepts, and antiquated views on how foreign-born labor fits into the U.S. economy. It's time to demand that Congress demonstrate civility and bipartisanship in the legislative process and bring about meaningful change.

"Businesses can only work within the confines of current immigration law, which is mired in inefficiencies, outdated concepts, and antiquated views on how foreign-born labor fits into the U.S. economy."

Now that the 2024 U.S. election is behind us, it is crucial for business leaders to convey to lawmakers that U.S. employers demand change. Inaction is not acceptable anymore.

In a time of increasing workforce shortages, a united front is essential in advocating for timely and effective immigration reform.

By engaging in constructive dialogue and fostering partnerships across the political spectrum, business leaders can help shape policies that attract the skilled workforce necessary for economic growth and enhance the productivity of American businesses.

SHRM's Role in Immigration Advocacy

Organizations such as SHRM are pivotal in advocating for data-driven solutions that seek to mitigate the issues associated with the U.S. workplace immigration system.

SHRM has achieved several advocacy wins in this area, including leading the business community to establish permanent remote Form I-9 identification verification to ensure the onboarding process reflects the modern workplace. In 2023, SHRM, alongside a coalition of business groups, successfully defended the work authorizations of H-4 visa holders, ensuring that more than 90,000 employees could continue contributing to the U.S. economy.

In addition, SHRM's ongoing advocacy efforts are encouraging policymakers to modernize the U.S. immigration system in other ways:

- Enable permanent **electronic submissions** of immigration petitions and forms.
- Implement a "**Known/Trusted Employer**" program that streamlines the process for employers that

submit multiple visa applications.

- Eliminate **country caps** for employment-based immigrant visas.
- Streamline the issuance and adjudication of **employment authorization documents**.
- Authorize **automatic renewals** of previously adjudicated applications.
- Allow **year-round eligibility** of seasonal employment visas and increase the number of employment-based visas available.
- Create one reliable, entirely electronic **employment verification system**.
- Provide more legal and regulatory consistency regarding the status of **Deferred Action for Childhood Arrivals (DACA) recipients**.

SHRM's advocacy efforts will continue to address arbitrary barriers that limit access and promote inefficiencies. While SHRM is heavily invested in the safety and integrity of the U.S. immigration system, modernization and reform will lead to a better system overall—one that still has the necessary screenings and stopgap measures.

The Work Ahead

Immigration reform transcends politics; it is a workforce development imperative that requires immediate focus. The U.S. must invest in a modern, efficient immigration system to sustain its competitive edge and foster economic growth. Join us at SHRM in advocating for pragmatic immigration solutions that enhance the world of work for everyone. ■■



Emily M. Dickens, J.D., is the chief of staff, head of government affairs, and corporate secretary for SHRM.

The Outlook on Change by HR Executives, HR Professionals, and Employees

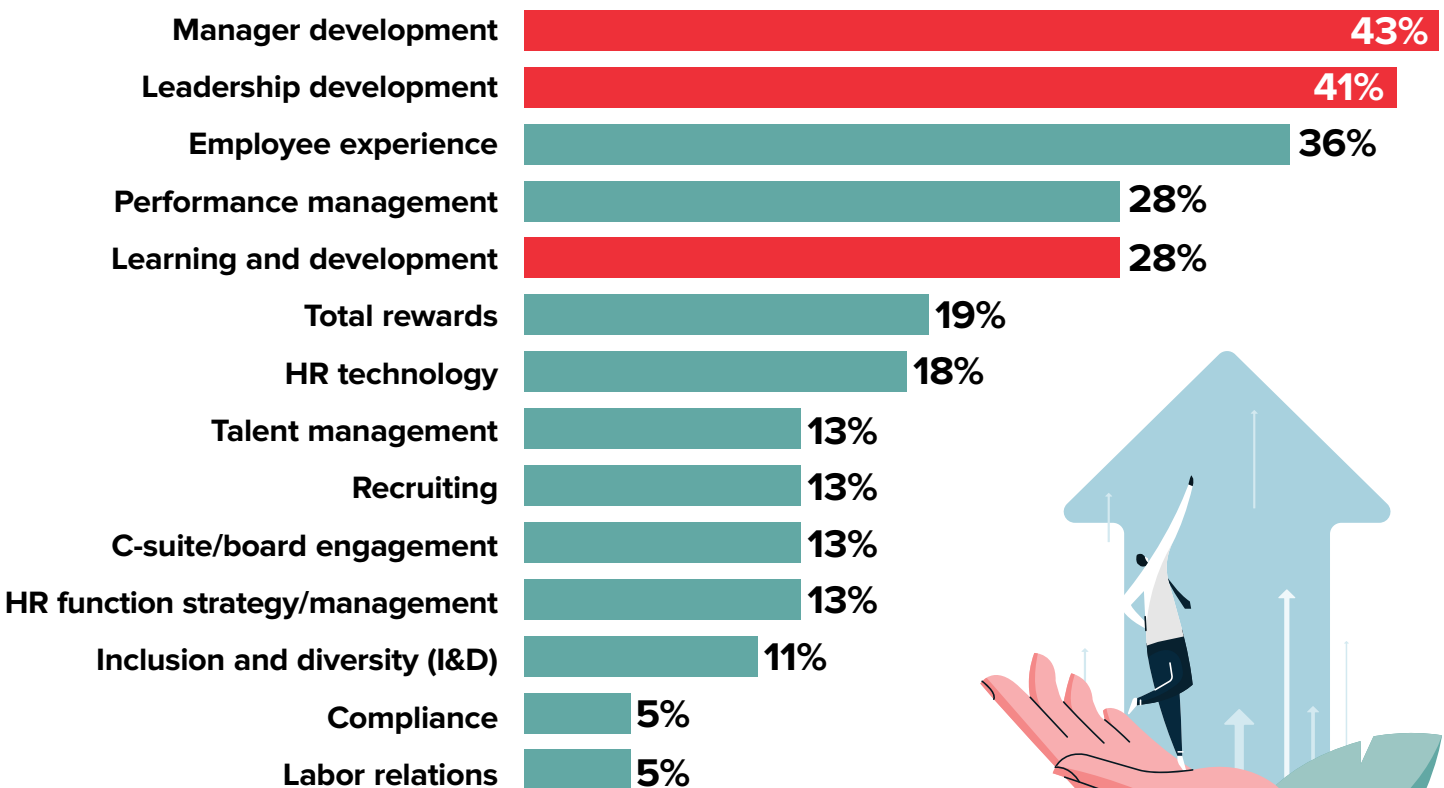
As the workforce ages (and diversifies), artificial intelligence advances, employee expectations evolve, and labor market trends fluctuate, organizations face the complex challenge of how to adapt to all this change. To thrive, organizations must fundamentally rethink traditional HR strategies to align with these new realities and drive organizational success.

New SHRM research pinpoints exactly where HR executives believe these transformations are needed—employee development. A sharp focus on development is essential to address skills gaps, leadership shortages, and employees’ desire for growth and advancement, as well as organizational competitiveness. Fortunately, as SHRM research shows, HR executives have a proven track record of managing change effectively, and people managers are prepared to lead this transformation from the front lines.

Here are the results from multiple SHRM research studies that surveyed HR executives, HR professionals, and U.S. workers.

HR EXECUTIVES SAY THAT EMPLOYEE LEARNING AND DEVELOPMENT IS MOST IN NEED OF SIGNIFICANT CHANGE

When more than 330 HR executives were asked which area of HR needs “significant transformation,” three of the top five answers involved some form of employee development, specifically manager development, leadership development, and learning and development. (Note: Respondents were asked to select up to three areas.)

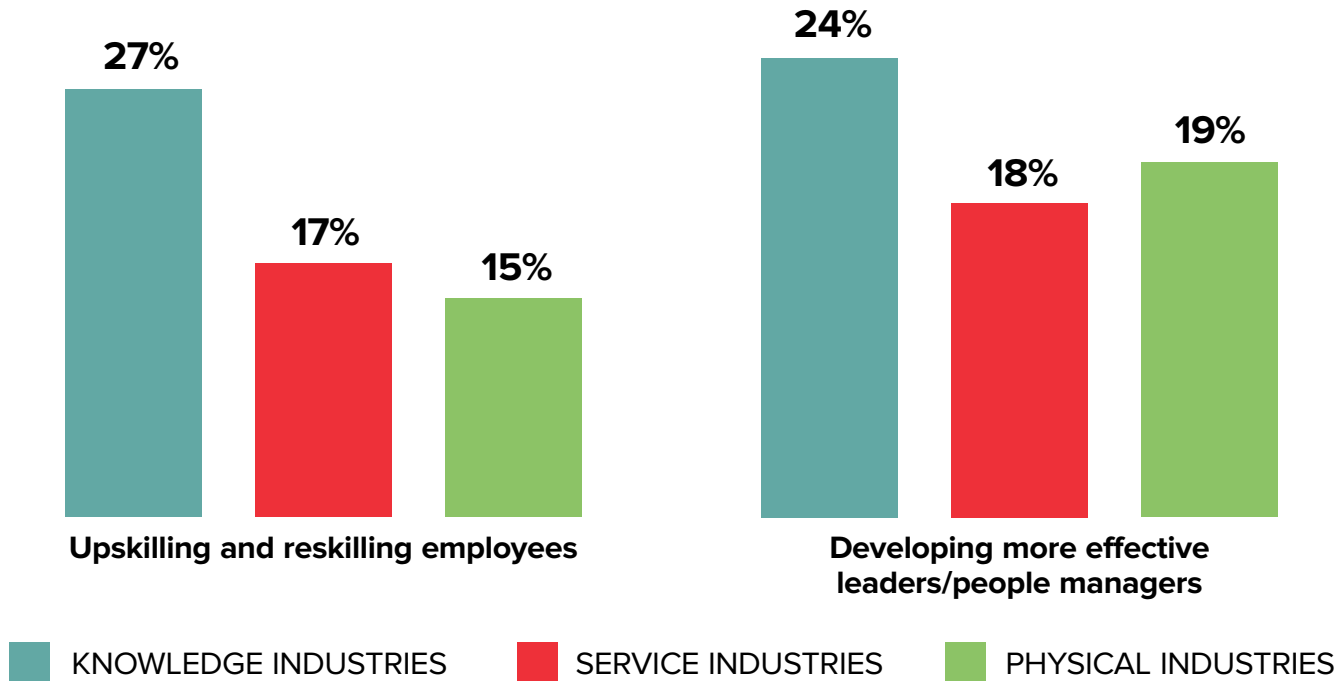


The Current State of Employee Development

DEVELOPMENT LAGS, ESPECIALLY IN SERVICE AND PHYSICAL INDUSTRIES

When more than 2,000 HR professionals were asked to evaluate their organizations' upskilling, reskilling, and leadership development efforts for 2023, few gave their organizations rave reviews. Only about one-quarter or fewer said their organizations were "very" or "extremely" effective at these tasks. Organizations in service industries and physical industries were viewed as less effective than those in knowledge industries.

Percentage of HR professionals saying their organizations are "very" or "extremely" effective at the following:



Source: 2023-24 SHRM State of the Workplace Supplemental, SHRM, 2024.

WORKERS AND HR HAVE DIFFERENT VIEWS OF TRAINING QUALITY

Within U.S. organizations, perception about the quality of the organizations' training and development programs vary greatly depending on who you ask. On average, HR executives and workers assigned the following grades to their organizations' training and development programs in 2023:



Source: 2023-24 SHRM State of the Workplace Supplemental, SHRM, 2024.

HR Executives and People Managers: Facilitators of Change

MANAGING CHANGE: HR EXECUTIVES HAVE PROVEN TRACK RECORD

When nearly 200 HR executives were asked whether none, few, many, or all/almost all of the organizational change initiatives they led or influenced were considered “successful,” here is what HR executives reported:



MOST MANAGERS ARE PREPARED AND CAPABLE TO LEAD CHANGE

A survey of more than 1,400 U.S. workers found that a majority of them believe their people managers are effective in adapting to unexpected challenges, being open to new ideas, and considering various perspectives when making decisions. Here are the percentages of U.S. workers who agreed or disagreed on the extent to which their manager is adaptable:

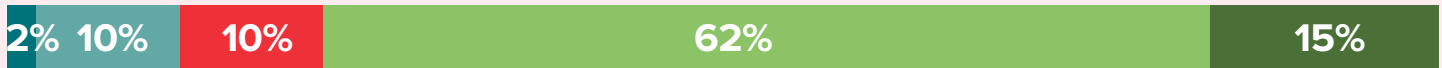
My manager considers multiple perspectives when making decisions:



My manager is open to new ideas and willing to consider alternative approaches when necessary:



My manager quickly adjusts their approach when faced with unexpected challenges:



STRONGLY DISAGREE DISAGREE NEITHER AGREE STRONGLY AGREE

CHANGE-RELATED BEHAVIORS: HOW WORKERS RATE THEIR MANAGERS

In a survey of 1,400 workers, here are the percentages who rated their managers from very poor to excellent on key change behaviors:

My manager advocates for improvements that can benefit the team:



My manager supports positive changes within the team:



VERY POOR POOR FAIR GOOD EXCELLENT

Source: *Perspectives on Effective People Managers Supplemental*, SHRM, 2024.

The Future of Employee Development: Embracing Change and Technology

By Ragan Decker, Ph.D.

HR executives recognize there is a need to modernize their employee development strategies. Traditionally, these strategies have been reactive, addressing immediate skills gaps or compliance needs. However, this approach is falling short in today's fast-changing business environment.

The pace of technological advancements, exemplified by recent advancements in generative AI and automation, has created a skills gap that demands a proactive and strategic response. According to SHRM's 2024 Workplace Power Shifts study, more than 3 in 5 U.S. workers (61%) agree or strongly agree that technological advancements have led to greater demand for specialized skills and expertise in their industry.

Technology is not only transforming the nature of work but also revolutionizing how we learn and develop. According to SHRM's 2024 AI in HR Report, 43% of organizations are leveraging AI to support learning and development, making it one of the top three use cases for AI adoption in HR. Among organizations using AI for learning and development, 49% utilize AI to recommend or create personalized learning opportunities for employees,

while 45% use it to monitor and track development progress.

However, AI's potential extends beyond these applications. For instance, some HR professionals report using AI for scenario-based learning, simulating real-life customer interactions or to better prepare employees.

Economic pressures are further driving the need for a revamped approach to employee development. In a competitive labor market, it's no longer enough to offer attractive compensation. Employees today expect their employers to invest in their growth and career progression. In fact, career advancement and skill development are two of the top four primary motivations that employees give for working (*see chart below*).

3 Ways to Enhance Learning and Development

To attract and retain top talent, organizations must create an environment that supports employee development, such that workers feel empowered to acquire new skills and advance their careers. To navigate this evolving landscape effectively, organizations should consider the following actions:

1. Build a strategic partnership between HR and the business.

Develop a close collaboration between HR and other business units to ensure that employee development strategies align with organizational goals. By collaborating closely, HR can identify critical skills needed for future success and integrate development initiatives into broader business strategies. Empowering people managers to participate in the development process creates shared ownership and ensures that development efforts are aligned with business needs.

2. Foster a culture of continuous learning.

Cultivating a learning mindset throughout the organization is essential for long-term success. Create an environment where ongoing education and skill development are prioritized by incorporating learning goals into the performance management process. Encourage employees to pursue new learning opportunities, provide resources for self-improvement, and integrate learning into daily workflows to keep pace with industry changes.

3. Embrace technology as an enabler.

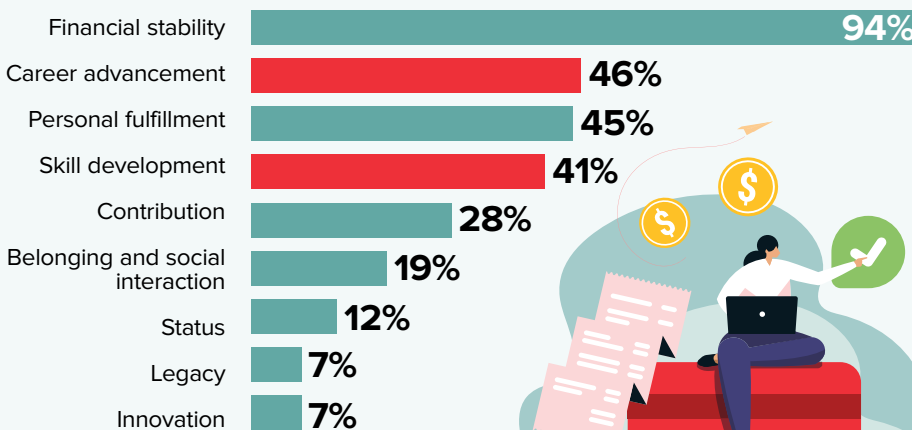
Leverage advancements such as AI, automation, and advanced analytics to enhance development initiatives. Instead of relying solely on conventional training methods, experiment with immersive simulations, gamified experiences, and other cutting-edge formats to create engaging and learning experiences.

By personalizing learning paths, predicting skills gaps, and optimizing training content, organizations can create a more targeted and effective learning experience. Investing in robust learning management systems that integrate with performance management tools is crucial. Measure and demonstrate the ROI of tech initiatives to secure ongoing support. ■■

Ragan Decker, Ph.D., is the manager of EN/ES Research at SHRM.

WHAT ARE YOUR PRIMARY MOTIVATIONS FOR WORKING?

Percentage who list each reason among their top three:



Source: Workplace Power Shifts, SHRM, 2024.

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of the weekly People + Strategy podcast.

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‘CHROs Are the Linchpin’: Learn to Navigate the Conflicting Roles and Responsibilities



CHROs are the linchpin between the C-suite and the board, so you have to make sure that everybody's on the same page," said **Betsy Rodriguez, former CHRO at the University of Missouri and Children's Hospital Colorado.**

"As CHROs, we're used to this conflicting role. We report to the CEO, but we also often are a confidant of the CEO. We have our C-suite colleagues. We have our relationship with the board. If you're good at how you navigate those relationships, it's going to serve you really well in unplanned situations because people are going to trust you and they're going to want you to be their partner in fixing the situation."

The Awesome Power Behind This Simple Question: ‘How Are You?’



I think it's become much more normal in the last several years for people to have open dialogues about our mental health resources that are available," said **Rhonda Morris, vice president and CHRO at Chevron.**

"I also believe leaders are doing a lot more with a simple question of: 'How are you?' A long time ago, that question was a euphemism for 'Hi.' And now, if you ask someone how they are, it's highly likely they're going to tell you how they really are. ... I think it's important for leaders not to turn this back, but really to listen and to engage and to support the men and women that work for them."



The Explosion of AI Is Making ‘Soft Skills’ More Important, Not Less



We're going to need people that understand robotics, engineering, software, and the technical skills. But we're also going to need people who have the professional skills, the influence skills, the emotional intelligence," said **Betty Thompson, the former chief people officer at Booz Allen Hamilton.**

"All the things that we used to call 'soft skills' are really going to be as important, if not more important, as we shift to relying more on technology. I think those things are still going to be critically important for people to really be able to have good decision making."

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Veronica Knuth

**Chief People Officer
Quantum Health
Dublin, Ohio**

Veronica Knuth started her HR career from the numbers side rather than the people side. Her first job was in accounting (her major in college), followed by a series of early-career roles spanning auditing to risk management to financial reporting. But when she found herself working for a human resource team as the finance partner, she discovered that the HR work was much more interesting than what she was doing. So, when a compensation and benefits role opened up at the company, Knuth jumped to the HR side.

She worked her way up the HR ladder at a handful of companies and now serves as the chief people officer for Quantum Health, a consumer health care navigation company.

How did your accounting background affect your move into HR?

In hindsight, I couldn't have asked for a better entry into HR. I was able to use my analytical skills to benefit the business while learning the nuances that come with human resources. At the time, I worked for a large retailer with many growing brands, and I was able to quickly move to different roles within HR (recruiting, learning and development, and finally HR generalist). I loved the generalist space and knew that was where I wanted to be long term.

Which HR initiative that you've led are you most proud of?

I had the opportunity to be the HR leader for the creation of a finance shared service center. The business case was to consolidate more than 20 accounting teams from multiple business units to deliver efficiencies in people, process, and technology. My outcomes included a headcount reduction of 50%, which would have resulted in the loss of jobs for almost 300 associates over three years.

I quickly decided we were going to find a way to retain as many people as possible and still achieve our goals. My team created pathways to build the capabilities of our associates, and we became the "farm team" for open positions in other business units.

Not only did we meet the business efficiency goals in under three years, we were able to retain 95% of the employees and keep our employee engagement scores above 84%. It was this project that fueled my passion of ensuring that—regardless of the size or complexity of a business transformation—I have an obligation to do whatever it takes to bring employees successfully to the other side of change.

What is your leadership philosophy?

Some things that I view as critical to my success:

1. I try to stay several steps ahead of where the business is going and am better than average at working through contingencies for what might happen.
2. I am purposeful in surrounding myself with people who have talents that I lack and who aren't afraid to challenge my point of view. They make me better every day.
3. My title is a privilege that I do not take for granted, and it comes with the obligation to use it whenever possible to help others in their success. This is something I learned working for and having incredible mentors.

How do you envision the CHRO role changing over the next decade?

We will have to appreciate the younger generations coming into the workforce and their expectations of employers and the experience they are looking for. This will require us to rethink how we select and deploy benefits, workplace dynamics, and how a company embraces new views on both the business and world around us.

I also believe that it is no longer enough to be an HR expert. We have to be strong financial stewards. We need to have a deep understanding of the core business capabilities and how they need to evolve in the future. Also, we must be students—always curious, always learning, always evolving.

What is the one piece of advice that shaped you the most as a CHRO?

Approach any business issue from a human perspective first, and recognize that rarely is there an answer in the problems you must solve that is definitively wrong or definitively right. Instead, you must manage on a constant continuum of least optimal to most optimal, and you should try to stay to the right of the midline as much as possible. ■■



“I have an obligation to do whatever it takes to bring employees successfully to the other side of change.”



by Rhonda Morris

Learning to Live with ‘Lasts’

How my upcoming retirement and the departure of my beloved baseball team are helping me embrace change.

Baseball and Chevron Corp. have each played an outsized role in my life. This is about to change.

I am a diehard Oakland A's fan and a 31-year Chevron employee. By the time this issue of *People + Strategy* goes to print, my beloved baseball team will have played their last home game in Oakland—they are relocating to another city—and my planned retirement from Chevron next spring will have been announced. I have spent much of this year processing changes and learning to live with multiple “lasts” as my baseball and corporate lives wind down.

Baseball made me a better employee and a better leader. The game represents attributes that make people strong and successful—discipline, resilience, preparation, patience, attention to details, and honoring traditions. And the results of excellent coaching are clear.

Baseball is also extremely unpredictable, and it has helped me manage my dislike of change. Favorite players get traded or become free agents and depart for greener pastures. Teams move on, and the players and fans maintain a strong sense of community.

Similarly, Chevron employees grow old together. Throughout our careers, we celebrate and support one another through significant life milestones and challenges—weddings, having children, caring for aging parents, retirements, health crises, and funerals. Our community is strong.

While my retirement after eight years as Chevron's CHRO is part of a long-planned succession, the A's ownership's decision to move the team was a surprise. Time does not make processing changes easier. The feelings I had recently at each A's game and in Chevron meetings are the same. “This

is the last time ...” crossed my mind frequently, and I felt my eyes start to water.

There is a long-held belief that women should never cry at work or in public. During the pandemic, I cried late at night so I could be present and strong for others during the day. When our

CFO retired earlier this year, I sat in my last meetings with him and lost my decades-long refusal to cry at work. I could not control my tears. My friend, advocate, and ally was leaving, and the sense of loss was overwhelming.

I've learned to embrace my feelings—to let the tears flow, strategically wipe them away, and not care if anyone notices. My close relationship with the CFO was well-known in the company. I am not ashamed to share how much I miss him and that I cried every day during his last week at work. He and other retired colleagues have taught me that our relationships extend beyond Chevron. And they have been a bridge to anticipating the wonders of life in the next chapter.

One of my retirement dreams was to be the “old lady at the ballpark.” I planned to go to almost every A's home game—wearing a baseball hat adorned with pins and a green-and-gold satin bomber jacket—and sit in a great seat and keep score.

A few years ago, I convinced my husband to look at condominiums near where the proposed new stadium in Oakland would be built so we could walk to the ballpark. But that stadium will not be built. People who know me well share their condolences: “I am so sorry about the A's.”

I have no definitive plans yet of how to fill my retirement days, but I have lots of ideas. This is freeing. Maybe we will drive across America in our new camper van and watch the A's play road games. Maybe I will “Marie Kondo” my house and do more volunteer work. Maybe I will do absolutely nothing.

When Klay Thompson, a fan-favorite star on the Golden State Warriors basketball team, departed after last season, his farewell message hit home. “The best part was not the rings,” he said. “It was the friendships I made that will last a lifetime. Don't be sad it's over; be happy it happened.”

I am lucky to have 50-plus years of cherished memories of going to A's games with friends and family and 30-plus years of working with smart, humble, and well-rounded co-workers. I am sad they will no longer play an outsized role in my life, but I am happy they happened. ■

Rhonda Morris is vice president and CHRO at Chevron.



“Baseball made me a better employee and a better leader. The game represents attributes that make people strong and successful—discipline, resilience, preparation, patience, attention to details, and honoring traditions.”

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