

CHRO OUTLOOK: TRANSFORMATIONAL TIMES CALL FOR TRANSFORMATIONAL MINDSETS



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EXECUTIVE SUMMARY

CHROs' insights connect the dots between the world of work, enterprise and the U.S. economy. In partnership with Chief Executive Group, SHRM continues to monitor these leaders' perspectives on the economic outlook for business in the coming year.

Conducted in May 2021, this follow-up survey of 186 CHROs reveals optimism for growth and development in the coming year but moderates these expectations with cautions on employee engagement and mental health.

As Q2 COVID-19 rates receded and the number of people getting vaccinated climbed, CHROs said they expect the business environment to be ripe for growth:

95%

of CHROs project business conditions to be good to excellent a year from now.

63%

of CHROs forecast an increase in the number of employees in the next 12 months.



As vaccination rates rise across many communities, CHROs are navigating return-to-work initiatives. Keeping talent engaged during this transition is proving to be a key challenge to business. In addition, business is looking to the Biden administration to gauge policy direction for the coming years.

The past 18 months have presented monumental challenges to public health, society, politics and the economy. As progress has been made, HR leaders have shown confidence in the economic recovery even as the pandemic continues to shape much of daily life. CHROs must continue to adjust to new realities as they adopt new perspectives and create new strategies to design the workplace of tomorrow.



CHROS EXPECT OVERALL ENTERPRISE EXPANSION

With the U.S. economy stabilizing, pent-up consumer demand is expected. In response, business is looking to prioritize preparation of operations for an uptick in consumer spending. The anticipated increase in demand has CHROs expecting overall enterprise expansion in the coming year:

73%

of CHROs forecast an increase in profits over the next 12 months.

83%

expect increases in total revenue.

63%

anticipate a workforce expansion, perhaps to meet demand.

65%

project an increase in capital expenditures.

While the pandemic still looms large over the U.S. economy, CHROs see elevated demand having an impact in the near term. In fact, of the CHROs that forecast an increase in total revenue over the next year, 14% expect an increase of 20% or more. To ensure that revenue growth translates into increased profits, businesses require an efficient and productive workforce to meet elevated demand.

In the face of a shifting labor market, organizations are encountering stiff competition in talent acquisition. Furthermore, of the CHROs that anticipate an increase in the number of employees over the next year, 10% expect an increase of 20% or more. HR leaders, focused on addressing the skills gap, will need to be creative and diligent in crafting the workforce of the future.

LEADERSHIP DEVELOPMENT EXPANDS

As enterprise expands, downstream drivers like leadership development are being pushed to the forefront. HR executives anticipate heightened reinvestment in workforce development to combat the impact of the “turn-over tsunami.” In the Q1 survey, over half (56%) of CHROs projected increased spending and investment in leadership development.

In Q2, CHROs outline the top leadership development initiatives as:

Training

85%

Coaching

80%

Other key leadership development activities included:

Succession planning

69%

Tuition assistance

63%

Mentorship

54%

Peer networking opportunities

42%

Workers are reassessing their career directions as the pandemic progresses. Smart talent is watching for opportunities to grow their careers. Meanwhile, business is looking to put leadership in place to properly manage growth and shore up their ranks to stave off the next crisis.



EMPLOYEE ENGAGEMENT CONTINUES TO TREND DOWNWARD

As the workplace responded to the COVID-19 pandemic, it focused on enacting waves of new policies and procedures to keep workers safe and businesses afloat. That, along with increased concentration on developing leaders' skill sets, seems to have detracted from overall employee engagement.

51%

of CHROs rated employee engagement as high or very high, a 3-point decrease from the pre-pandemic proportion that gave it the same rating.

12%

of CHROs rated employee engagement as low or very low.

Employee engagement has seen a significant drop since the pandemic began, as only 27% of CHROs indicated improved employee engagement since prior to the pandemic. Additionally, 32% of them indicated a decline in employee engagement.

Employee engagement connects workers to each other and the organization. With so many employees working remotely, engagement is more vital than ever. Finding creative ways to extend workplace culture into the remote workspace will be key to improving work performance and worker retention.

KEY ENGAGEMENT ACTIVITIES

Entering Q1, half of CHROs anticipated increases in spending and investment in employee engagement. With the rise of vaccination availability and businesses charting paths to normal operations, CHROs indicated that their company did the following to make a positive impact on employee engagement:

82%

Emphasize core values and mission in everything they do.

81%

Recognize or reward achievements.

80%

Act on suggestions and feedback provided by employees.

Engagement and talent development activities were delayed during the onset of the pandemic, but business is catching up. When engagement and development are done well, workers feel valued. They also tend to stick with the organization, improving retention. Those workers also perform at higher levels and are rewarded accordingly, with many eventually developing into leaders.

MENTAL HEALTH AND BURNOUT CHALLENGES

The pandemic has drastically changed how people live and how companies operate. CHROs are seeing the toll persistent stress has taken on workers. Organizations have ramped up efforts to protect physical health—too often to the neglect of mental health. Long-term neglect of mental health is unsustainable.

The Q1 survey reported that one-third of CHROs (34%) anticipated mental health to be a workforce-related challenge. Many have noted that employees feel burned out and have reached out for help.



of CHROs agreed or strongly agreed that they are comfortable discussing mental health with workers.



of CHROs agreed or strongly agreed that their company has resources to assist employees with their mental health.

Business requires people to function. Workers are more than the knowledge, skills and abilities they bring to the workplace. They are whole, complex beings. Workers require both mental and physical health to sustain performance. Supporting the health of the whole person impacts retention, engagement and performance.

OUTLOOK

As business rounds the corner, the temptation to relax can lead to regression. The arrival of long-awaited positive news—about public health, the economy or other topics—does not mean there aren't still challenges and threats worthy of focus. To maintain forward momentum, it is critical that leaders stay alert to the business environment and be intentional about their mission.



METHODOLOGY

The CHRO Confidence Index survey is a Chief Executive Group research program conducted quarterly in partnership with SHRM. A total of 186 surveys were completed from May 18 to May 21, 2021. The survey was fielded electronically to U.S.-based CHROs and senior HR executives.

Respondents represented organizations of all sizes—from 10 to 10,000 employees—in a wide variety of industries across the United States; 70% of respondents were from organizations with 500 or more employees.

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