

CHRO OUTLOOK:

RESOLUTION IS THE
PATH TO RESTORATION



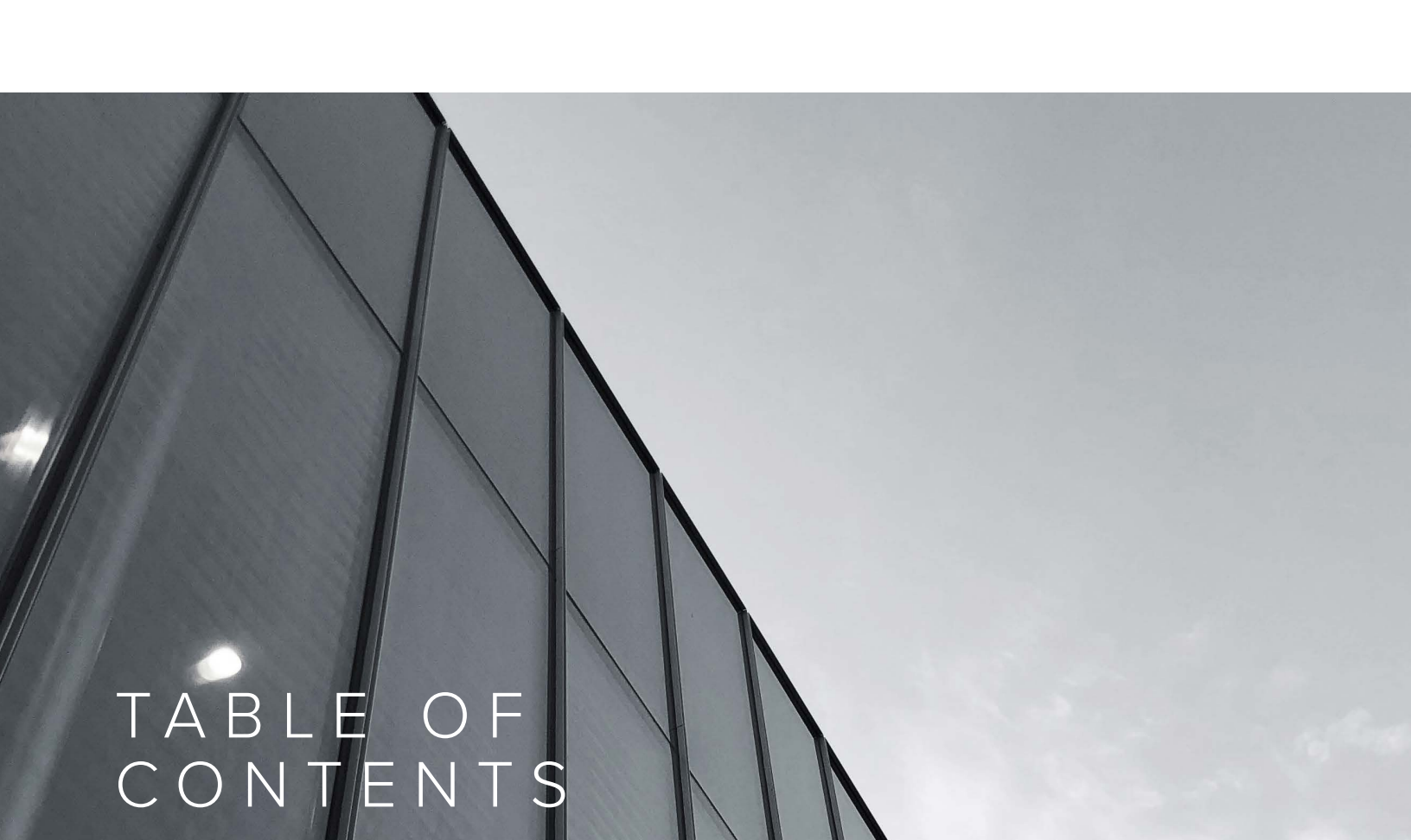


TABLE OF CONTENTS

Executive Summary	3
Good News: We Already Know What To Do	3
What Getting Back To Business Means	4
CHROs Say Business Conditions Look Good	5
Continued Enterprise Expansion Is On the Horizon	7
Mental Health and Morale Needs More Attention	8
Some Business Initiatives Lose Steam	9
Workforce Related Opportunities Emerge	10
Workforce Strategy Faces Public Policy	11
Methodology	12

EXECUTIVE SUMMARY

Just when business leaders thought the worst of the COVID-19 pandemic was behind them, the new omicron variant could throw even more challenges their way.

Organizations that were ramping up to meet dramatically higher levels of consumer demand as the world appeared to be emerging from the pandemic may now be forced to once again hunker down, working through Zoom meetings, travel bans, staffing challenges, material shortages and more months of continued uncertainty.

Whatever happens, leaders and managers have developed processes to successfully handle pandemic-related issues while remaining focused on meeting the many growth challenges to come.



GOOD NEWS: WE ALREADY KNOW WHAT TO DO

On an encouraging note, health experts say the new strain of the coronavirus may be milder than earlier variants. That means business leaders and managers can quickly pivot back to the highly effective safety measures and workflows they have created since the virus first hit at the end of 2019.

- Company leaders are taking a wait-and-see approach until more becomes known about the omicron variant but expect to have enough data by the end of the year.
- Vaccines and additional booster shots are still seen as the best preventative, according to medical experts, so executives will need to review their organizations' vaccination policies. In the meantime, court challenges are creating uncertainty around federal mandates that would force many employers to require vaccinations. Plus, employers will need to deal with pushback from workers who want to remain unvaccinated.
- One important role for CHROs is to emphasize and support measures that address the many mental health issues hitting workers as the pandemic moves into its second year. One approach is to emphasize the return on investment that comes from mental health support services and how it can strengthen employee retention.

More resources: SHRM has created special resources about handling the COVID-19 crisis, including:

- [Vaccination](#) questions, answers and resources
- Answers to the most common [COVID-19 questions](#)
- Tips on how to handle [vaccine-related accommodations](#)



WHAT GETTING BACK TO BUSINESS MEANS

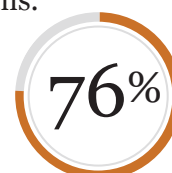
If the omicron variant does prove to be only a temporary distraction, leaders and managers can get back to the unfinished work of handling increased consumer demand, higher energy costs, supply chain bottlenecks, and an ultra-competitive market for talent.

One promising development is that before this variant emerged, SHRM and the Chief Executive Group surveyed 134 CHROs and found them entering the fourth quarter solidly optimistic about growth and development in over the next 12 months while remaining focused on talent-related issues.

Against this backdrop, CHROs remain similarly positive about business conditions. Nearly two-thirds (63%) of respondents expect business conditions to be very good or excellent over the next 12 months.

As compared to the past 12 months:

76% foresee increased profits; and



12% anticipate increases of 20% or more over the next year.



With talent issues at the forefront, the role of human resources has become critical throughout the pandemic and its ensuing economic chaos. CHROs look to remain deeply involved in high-level business deliberations to continue adding their vital support to organizational objectives.

CHROS SAY BUSINESS CONDITIONS LOOK GOOD

Enhanced unemployment subsidies are gone, with government vaccine mandates looming over business managers and employees alike. The return to in-person work for office workers already was delayed by the COVID-19 delta variant that unleashed the fourth major wave of infections. Nonetheless, CHROs say they see the progressive removal of barriers that have shackled organizations since the onset of the pandemic.



Nearly half of CHROs report that business conditions are very good to excellent.



Just 7% consider business conditions to be weak or poor.



CHROs expect business conditions to improve over the next 12 months, with 63% anticipating that conditions will be very good to excellent.



At the same time a scant 2% of CHROs expect business performance to be weak or poor during the next 12 months.

This mostly positive assessment of business conditions has largely continued from Q2, when 50% of CHROs rated the business environment very good to excellent. However, there has been an increase in the number of CHROs reporting weak or poor conditions, from 3% in Q2 (5 respondents) to 7% in Q3 (9 respondents).

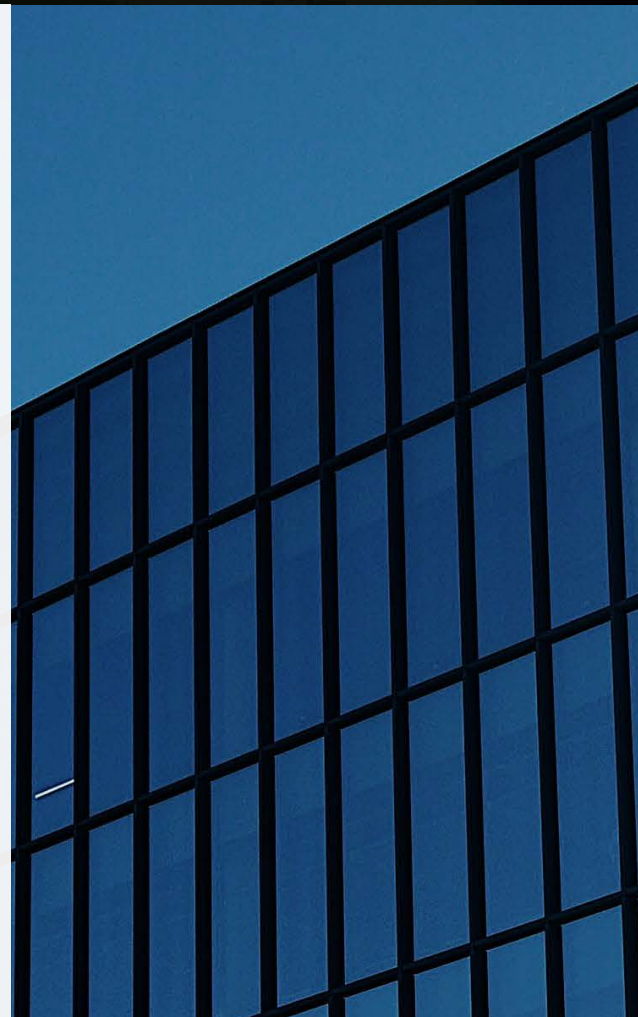


As businesses and other organizations prepare to pivot toward the future, they will first need to navigate several challenges stemming from the pandemic. With 10 million U.S. jobs going unfilled (Source: U.S. Bureau of Labor Statistics, August 2021), for example, most organizations are struggling to remain productive.

Another looming issue is the continued supply challenges hitting so many businesses, affecting their ability to obtain everything from sophisticated computer chips to basic raw materials. The first step is to collect data and analysis that illustrates which links in the supply chain work and which ones are broken. For some organizations, the solution may be to bring functions that had been outsourced back into the company. Others may need to reconsider just-in-time approaches to obtaining raw materials.

More resources: SHRM has created special resources examining supply chain issues, including:

- Addressing [Supply-Chain Challenges](#)
- [4 Keys to Repairing](#) Your Broken Supply Chain
- What Nutella Teaches Us About [Global Supply Chain Risks](#)



CONTINUED ENTERPRISE EXPANSION IS ON THE HORIZON

The crisis in other regions continues to degrade and constrict productivity, worsening the global supply chain shortages that are landing on U.S. shores. Businesses that can solve their supply issues and return to previous levels of productivity—or increase those levels—will see strong demand for their goods and services. Comparing the previous 12 months to the next 12 months, most business executives expect to see sales increase.

82%

of CHROs anticipate an increase (of any size) in revenue compared to the past 12 months.

30%

of CHROs anticipate the increase in revenue will range from 10% to 20%, while another 16% anticipate increases of 20% or more.

Of course, revenue growth does not always result in profitability. During the last 18 months, dealing with the pandemic has driven up operational costs and siphoned off profits. However, as the country experiences rising vaccination and infection rates, herd immunity comes closer to reality.

- A whopping 76% of CHROs anticipate an increase in profits, while an additional 14% expect no change in profits.
- Of those CHROs who expect increased profits, 21% anticipate an increase of 10% to 20% and another 12% anticipate increases of 20% or more.

To increase productivity, the consensus among CHROs is that the U.S. workforce participation rate will increase over the next 12 months.

- 67% of CHROs predict an increase in the number of employees, with 39% forecasting a jump of up to 10%.

Along with growth in the workforce, capital expenditures also are expected to rise.

- 60% of CHROs anticipate an increase in capital spending, with more than one-third (34%) expecting an increase of up to 10%.



MENTAL HEALTH AND MORALE NEEDS MORE ATTENTION

For most organizations, much of the last year-and-a-half focused on protecting the physical health of their workers and finding strategies to remain economically viable. The notion of mental health and morale has been woefully neglected. CHROs witness the results of those skewed priorities daily.



An overwhelming 89% of CHROs report that employees at their organization are feeling burned out. Even with burnout rampant, CHROs say many employees are rejecting opportunities to take a break from work.



While 77% of CHROs agree that their organization encourages employees to use most or all of their vacation days, burnout levels suggest employees may not be getting the amount of time off that they need.

CHROs cite several reasons why employees aren't taking their available time off.

- 45% ranked the limited travel and vacation possibilities during the pandemic as the chief reason.
- 35% said employees' primary reason for not taking time off was that they worried their workload would pile up while they were away.
- 14% said culture or work arrangements make it difficult, if not impossible, to disconnect.
- 7% said the top reason employees didn't take time off was that they feared how taking vacation days could be portrayed.

Another common theme for rejecting time off was the issue of understaffing. CHROs believe employees are either blocked from taking time off or feel guilty leaving their co-workers with no one to cover for them.

- Only 35% of CHROs indicated that their organization's culture prevents employees from balancing home and work commitments.
- Yet just 55% of top human resource executives said their organization encourages employees to completely disconnect from work and e-mail while on vacation.

Despite these challenges, CHROs said they still believe employees feel good about their workplaces.

- 74% of CHROs said they think their employees love working at their organization because of the culture.
- An impressive 91% of CHROs agreed that most employees care about their organization.

SOME BUSINESS INITIATIVES LOSE STEAM

Under the duress of the pandemic, organizations have, quite expectedly, shifted their priorities. CHROs were surveyed to identify the initiatives that have fallen off the radar. Based on reporting by percentage, the least important business initiatives include:



Organizational
redesign



HR digitization



Return-to-workplace
strategy



WORKFORCE RELATED OPPORTUNITIES EMERGE

The prolonged pandemic and the accompanying economic and social disruptions have given workers space and time to rethink their career priorities. Many have reconsidered where they want to work, who they want to work for, and how much they want to be paid. In a phenomenon being dubbed “the Great Resignation,” there’s been a colossal spike in both the quits rate and number of open jobs. As recently as August, a staggering 2.9% of workers quit their jobs (Source: U.S. Bureau of Labor Statistics, August 2021). Against the backdrop of these workforce trends, CHROs anticipate that over the next 12 months their biggest workforce challenges will be:

64%

Retaining high-performing employees

49%

Recruiting qualified candidates

39%

Improving workplace morale



WORKFORCE STRATEGY FACES PUBLIC POLICY

Labor trends aren't influenced by employers and workers alone. Public policy plays a significant role among the dynamics that shape workforce strategy. CHROs say the top three policies most likely to influence workforce strategy are:



The economic stimulus



Labor and wage laws



Health and safety regulations

Not to be confused with politics, public policy decisions are designed to address broader worker and business imperatives instead of partisan agendas. SHRM is committed to advocating for policy solutions that are sensitive to worker concerns and that advance enterprise objectives.





METHODOLOGY

The CHRO Confidence Index survey is a Chief Executive Group research program conducted quarterly in partnership with SHRM. A total of 134 surveys were completed from Aug. 16 to Aug. 19, 2021.

The survey was fielded electronically to U.S.-based CHROs and senior HR executives.

Respondents represented organizations of all sizes—from 50 to more than 5,000 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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