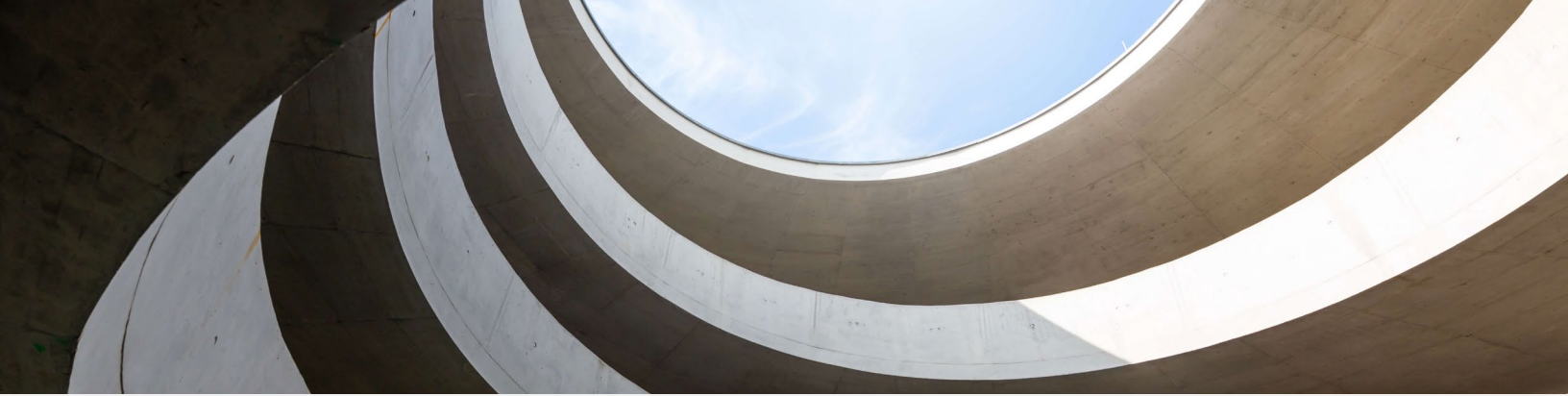# Talent Disrupted

Why great talent leaves organizations, and what CHROs are doing about it

The Covid-19 pandemic, rising economic uncertainty and geopolitical risk, and the increasing emphasis on environment, social and corporate governance matters all have important leadership implications. As advisors to the C-suite, Russell Reynolds Associates has been closely monitoring these trends and advising leaders and teams through this tumultuous time.

We interviewed 12 CHROs and talent leaders across sectors to better understand what strong HR and talent organizations are doing to differentiate themselves to attract and retain the best talent. We heard diverse perspectives, but one thing was clear. The workforce has changed permanently; consequently, the skills needed to manage it had also shifted. Moreover, while data from our Global Leadership Monitor showed that CHROs largely felt unprepared to respond to the talent shortage, our conversations uncovered how the best people leaders were getting ahead in the war for talent. We hope these insights help heads of HR and Talent, along with other C-suite leaders, CEOs and boards, to better understand and lead in today's environment.

Questions addressed in this report:

- How HR functions have evolved to meet workforce and business needs

- What skills executives – in and outside HR – need to successfully lead today's distributed, diverse and purpose-led workforces

- What forward-thinking HR leaders should be thinking about for their functions and organizations

# Majority of HR leaders feel unprepared to respond to the talent shortage

Talent is the #1 force shaping today's business environment. 72% of leaders cited the lack of availability of employees and leaders with key skills as the highest ranked issue for global business leaders this year, up from 59% last year, as outlined in RRA's second annual Global Leadership Monitor. The battle for talent landed ahead of other key challenges, such as uncertain economic growth, health threats and geopolitical uncertainty. **More importantly, while boards seem more optimistic, only 29% of CHROs - and 23% of CEOs - feel prepared to respond to the talent shortage.**

## Leadership preparedness to respond to market forces
% indicating that their leadership team is prepared or very prepared to respond to factor*

Availability of key talent/skills

■ Boards   ■ CEOs   ■ CHROs
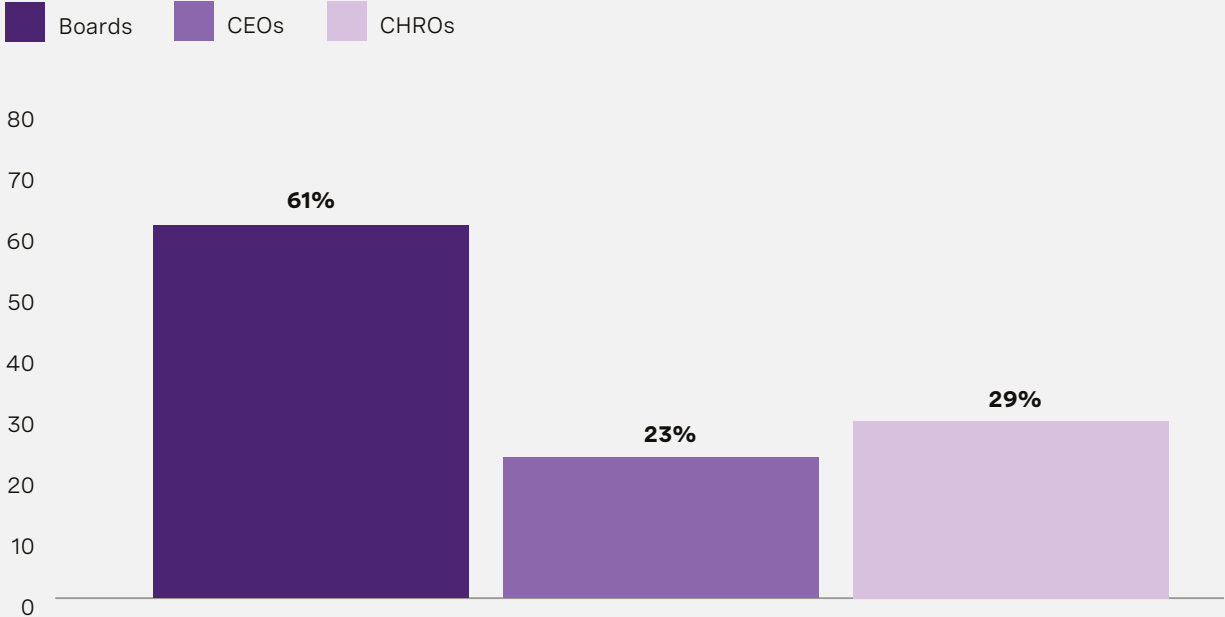
*Note respondents were only asked to rate preparedness if they selected the item as a top 5 threat to organizational health.

Source: Russell Reynolds Associates Global Leadership Monitor 2022; N=1590 executives
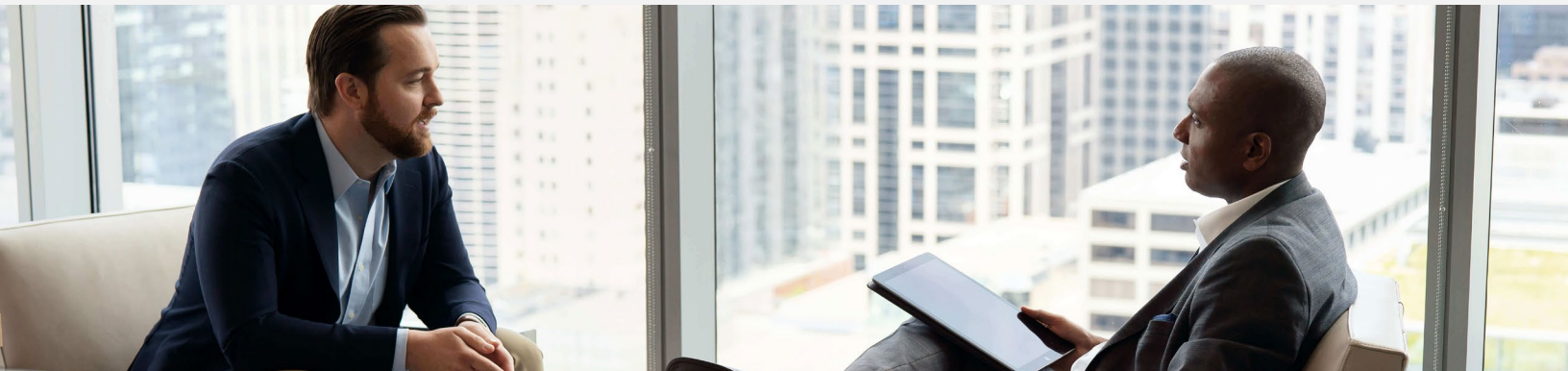
The best HR leaders are reinventing talent acquisition amid high churn

CHROs have highlighted the need to reinvent talent acquisition in the face of high churn, the rise of hybrid work, and changing employee needs. Certain skillsets are in high demand and are leaving for significantly higher pay and sign-on bonuses, or benefits like extra time off. Further, employees have more options, due to many roles being location agnostic. In our second annual Global Leadership Monitor, 76% of CHROs shared that employee turnover had increased in their organizations over the past 12 months.
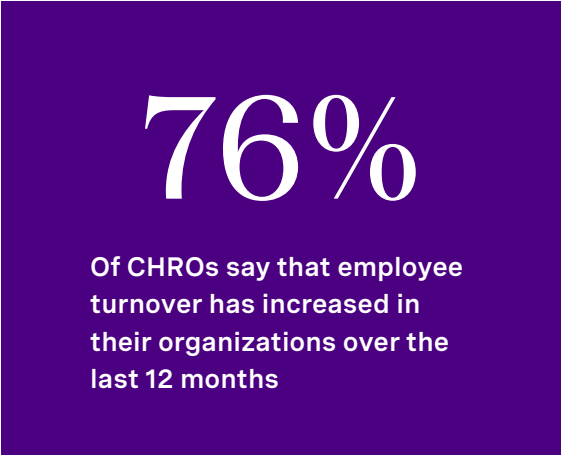
76%

Of CHROs say that employee turnover has increased in their organizations over the last 12 months

Source: Russell Reynolds Associates Global Leadership Monitor 2022; N=1590 executives

The savviest organizations and leaders are thinking differently about talent acquisition and have a solid pitch to win great talent

This includes:

1 Having a unique employee value proposition

Several leaders noted the importance of a differentiated pitch to help attract external talent. One CHRO noted that today's workforce needs more meaning and purpose in their work, and that it is important for leaders to translate existing business mandates into something more meaningful. Another leader noted that a solid value proposition can set a company apart when attracting top candidates.

> People are thinking about their lives differently. Organizations have benefitted from higher workforce productivity during the pandemic, and now need to meet peoples' needs when it comes to ESG responsibilities and shared purpose.

2 Being flexible on where roles should be located

While most companies are still finding the balance between in-office, hybrid, and remote work, HR leaders we spoke to underlined the clear advantage of opening key value-driving roles in the organization to hybrid work models. This not only allows companies to gain access to a broader talent pool, but it also attracts talent that happens to be in the same location. Recent McKinsey research found that 52% of employees desired a hybrid work model post-pandemic, up from 30% pre-pandemic. At the same time, leadership teams are far from unanimously agreeing that hybrid work is the best strategy. As a result, HR leaders are currently walking the tightrope between influencing CEOs and the C-suite to shift their thinking around flexible work while also managing workforce expectations.

> It is easier to connect with people, but also easier to lose people, now that employees have more choices.

3 Running a more streamlined hiring process

A number of HR leaders noted that in today's fast-paced talent market, companies that put executives through lengthy hiring processes are more at risk of losing them. The pandemic proved that leaders can be hired and onboarded remotely, and many companies have since become more comfortable making hiring decisions without meeting talent face to face. HR leaders we spoke with also shared that the right search partner is critical in the face of talent shortages, hybrid talent acquisition processes, and wildly varying compensation expectations.

> Organizations will be forced to look beyond borders for top talent, and leaders will need to become more comfortable hiring in this way. We also need to think differently about qualified talent and focus less on experiences and more on skills. Good recruiters are more important than ever.

The leaders we spoke with shared some advice along with some tips and tricks:

Strategic advice

- Define and get buy-in from the right internal stakeholders and decision-makers early

- Maintain pace; run a tight search process with frequent updates

- Be transparent around timelines with candidates and search partners

Tips and Tricks

- Define compensation early; get buy-in from internal stakeholders

- Understand notice periods sooner rather than later

- Be aware of non-competes or garden leaves that prevent executives from working elsewhere for a certain period of time

Top HR leaders are reinvigorating talent management to respond to evolving employee and business needs

Leaders noted that bringing people through the doors of the organization is only half the battle. Retaining, engaging, and developing talent is - and continues to be - a top concern. Today's workforce has more agency, and people and talent functions are figuring out how to design jobs to make people stay and thrive, while optimizing value for customers. Ultimately, companies exist to serve their customers, and that is not lost on the leaders who want to optimize employee experience.

> " You must treat employees like customers. Create a good product – the place to work – and delight your employees. Deliver on employee experience in the best possible way, so your people can serve your clients well. "

The evolution of talent management reflects these trends. It is becoming more personalized in line with the increased agency of today's workforce, more intentional about talent development, and more data-driven to better understand today's hybrid workforce.

HR leaders we spoke with shared their advice on creating a sound talent strategy:

1 Create a culture where talent thrives:

Several leaders talked to us about the importance of strong corporate cultures, particularly in tough times and with hybrid workforces. HR leaders cited inclusive and sustainable cultures as essential, sharing several examples—one CHRO talked about creating an environment where senior female executives held courageous conversations around topics like fertility and menopause. Another talked about culture being a strategic pillar they examined closely; specifically, which aspects should be kept or developed post pandemic, like embracing change or leading empathetically. [For more insights on culture, view our report: Measurement Mindset: A Practical Approach for Understanding Culture]

2 Personalize your talent strategy:

Leaders cannot assume the workforce is homogenous and should instead design talent strategy to address the unique aspirations and demands of employees. Several conversations focused on the need for a skill-based approach to talent management. One leader talked about the need to identify key skills the organization needs, and help high potential talent develop those skills via future projects, creating a symbiotic relationship between the employee and the organization.

"We cannot just launch a program; personalization is needed. For instance, we have one wellness program, that we allow people to customize to their own needs."

"Either help your best employees envision their next career in your organization, or risk losing them to other organizations."

3

Build an internal talent marketplace:

The most forward-thinking organizations today are accelerating talent management by building internal talent marketplaces. Deloitte research defines an internal talent marketplace as a technology-enabled talent management program that connects employees with opportunities, enabling organizations to quickly deploy, motivate, develop, and retain employees.

Setting an internal talent marketplace up successfully includes finding the right technology partners and data sources to identify key skills and talent and deploying them into other parts of the organization. while the advantages to getting this right are undeniable, leadership buy-in continues to be a hurdle. One head of talent advised that educating business leaders on the benefits of an internal talent marketplace, e.g., skill development, talent retention, or higher morale, is a worthwhile effort.

"Very few large organizations are creating internal talent marketplaces, but we all win if they exist. Companies get more resources where they need them, and workers get more learning experiences, hopefully making them stick around longer."

4

Become more intentional about talent development for hybrid workforces:

Several CHROs talked about the need to become more intentional about learning and development efforts in hybrid work settings. While some underlined the importance of ensuring that training delivery styles match work settings (in-office, hybrid, or remote), others talked about the need for more purpose-led and DE&I-focused development efforts, such as programs on inclusive leadership. The majority agreed that making developmental experiences a part of careers in organizations is critical, and leaders must be held accountable to developing their teams.

"Traditional talent development will die of not reinvented. If we do not give people their next career here, they will go find it somewhere else. "

"Pick the people you really need for the organization for the future and help them visualize a career in your organization. Put strong career development plans in place and help them reach milestones. Pay them well and treat them well."

5

Use data and technology wisely:

After the Covid-19 pandemic began, several CHROs stepped in to redistribute talent to different parts of the organization to maintain business continuity in a fast-changing environment. It is not surprising then, that each of the HR leaders we spoke with talked about the importance of the right data and technology to support talent management efforts.

The most forward-thinking leaders are gathering and deploying data to inform smarter decision-making or raise red flags on issues before they arise. For instance, some are using data and technology to identify and deploy their workforce's skills effectively to parts of the organization that need them, while others are using it to identify gaps in employee outcomes, such as engagement and inclusion. One talent leader talked about using bolt-on technology to enhance candidate and employee experience, while another talked about detailed diversity dashboards and integrated insights on turnover, exit interviews and "stay" interviews.

"We use technology to measure the frequency of connection between managers and their teams. We have found that these connections correlate with engagement, and people who are less engaged tend to leave. Having this data gives managers the tools to monitor flight risks or disengaged team members."

"We are serious about measuring Employee engagement, Inclusion, Employee wellbeing and Diversity data. Statistically, all are strongly interdependent – if people feel included, they are 19 times more likely to be engaged; if people have wellbeing, they are 7 times more likely to be engaged. We have a disciplined approach to data and combine all four things to get insights to identify "at risk" groups."

"The future of talent management will be around identifying what skills the organization needs and figuring out where in the organization those skills already exist. For instance, we have been struggling to hire for certain jobs, but on closer review, realized we have those skillsets in different functions."

Strategic HR leaders are flexing their leadership style to bring other leaders along on this journey

The last two years exposed gaps in leadership capabilities, particularly in HR. Leaders noted that the definition of good leadership has evolved, and the best HR leaders have not only stepped up to the challenge themselves, but also brought others along on the journey.

"

Leadership capabilities that used to be the north star are irrelevant now. Our leadership competency model, which was created in 2017, does not fit anymore. We are working with the executive leadership team to identify the right capabilities for the future.

The shift to hybrid work should have happened years ago. Leaders are not there yet, and my focus is to equip them to support their teams to work differently.

We put both our own data and external data in front of leaders, to help them understand trends and change their thinking.

Leaders, who tend to want headcount, and have a sense of ownership of "their talent," are terrified. Some change in leadership styles is needed to make this work in the long run.

Leadership capabilities that have come to the fore are resiliency, versatility, thriving in ambiguity, adaptivity, optimism, digital fluency, and people centricity.

"

The HR leaders we spoke with underlined that successful leaders today are:

Agile

- **Thrive in ambiguity** - Able to make decisions with less or imperfect data

- **Higher intuition** - Pick up on queues; create interventions before things become problems

- **Learning mindset** - Test and learn, iterate, and make changes fast

- **Bias for action** - Facilitate more streamlined decision-making

"We have strived for perfection but now are in an iterative mode. This is uncomfortable but needed."

Empathetic

- **Empower others** - Rather than 'command and control'

- **Active listeners** - Seek feedback, communicate frequently, curious

- **Showing up as their authentic self** - Empowering others to do the same

"Days where a CEO can dictate rules are gone. Leaders who lean on their own power, and have a command-and-control style, have their days numbered."

"Crises are not times to suppress voices, but rather ask more, different things."

"It can no longer be, 'Happy Friday, please do this by today.' Instead, leaders must acknowledge the challenges of those with young kids, or those who have not seen their families in two years. This has to be a permanent change. Talent and clients demand it."

Values-Driven

- **Lead with values in tough times** - And are courageous enough to revisit values when they get outdated

- **Purpose-led** - And able to help employees find purpose in their work

- **Trusted** - Accountable to what they commit to

- **Transparent** - Able to speak to the organization's position on internal and external events

"Crisis doesn't build character, it reveals character."

"It is Incumbent on leaders broadly to translate employees' existing work into something more meaningful."

"A CXO is a true leader, vs. a functional manager, if others are willing to follow them."

Looking ahead

Pragmatic HR leaders understand that leadership models have evolved, and recognize their own role in bringing their CEO and C-suite along on this journey. Several leaders we spoke with are walking the tightrope between differing workforce and leadership expectations on hybrid work, development opportunities, inclusive cultures and sustainability. They are also training their leadership on how to lead distributed workforces, how to have more of an enterprise (vs. siloed) mindset, and how to speak authentically to a range of topics that impact their employees, both in and outside the office premises. Ultimately, the most forward-thinking HR leaders must not only design innovative talent strategy, but also bring other leaders along on the journey to think about talent differently.

Questions for forward-thinking HR leaders:

	Talent Aquisition	Talent Retention	Talent Development
Talent Strategy	• Do you know what skills you need to meet your strategic goals? • Do you know if, and where, these skills exist within and outside your organization?	• Can you match your workforce's skills to business needs? • Can you facilitate the movement of key talent across the business?	• Can you identify gaps in your workforce's skills and your future needs? • Can you deploy learning programs and/or stretch opportunities to address these gaps?
Infrastructure	• Do you have the right data to arrive at the above decisions? • Do you have the technology to gather this data?		
Organizational DNA	• Do you have a CHRO and Head of Talent who can effectively lead your workforce? • Do you have leaders who are agile, data-driven, and digitally fluent, with an enterprise mindset? • Do you have a top team that functions as a collaborative unit rather than a group of functional managers? • Do you have a culture that enables leaders to act in the best interest of their customers and employees when hiring and developing talent?		

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Russell Reynolds
Associates

Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 47 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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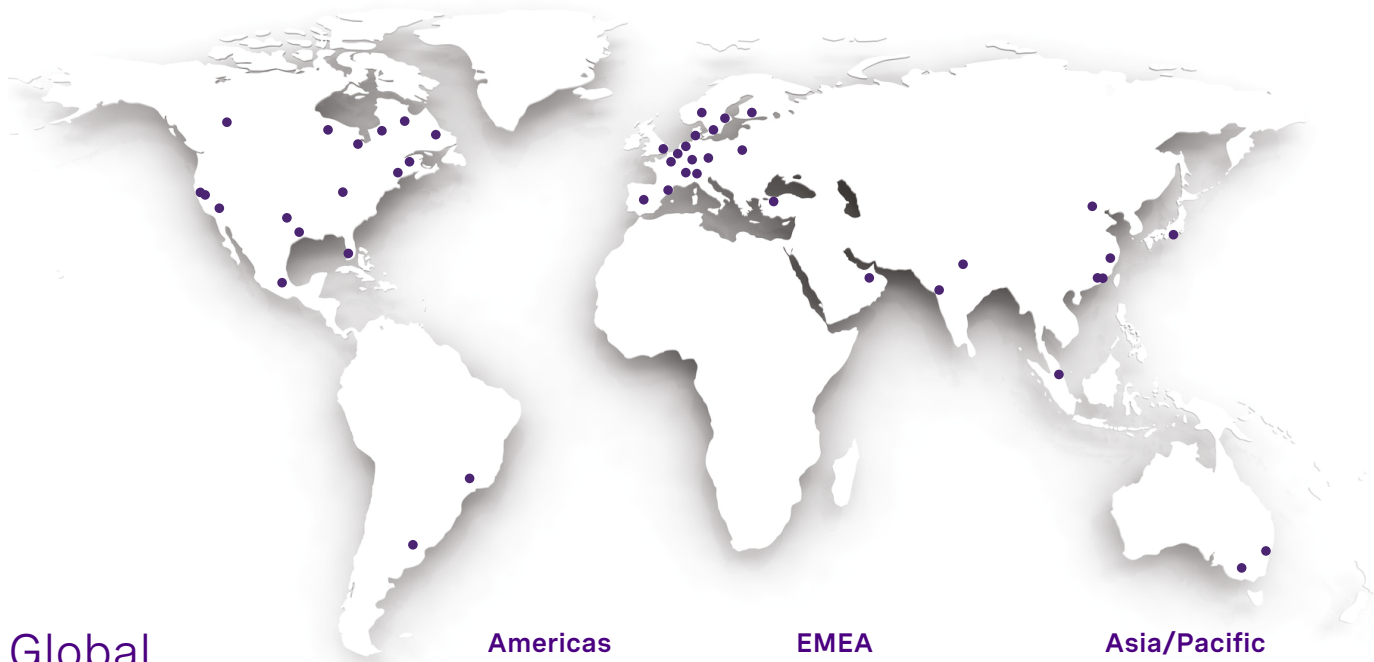
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