

# Human Resource and Board Market Conditions Report

Over the past few years, we saw an explosion in capital availability, creating many opportunities for executives with finance, accounting, and human resources backgrounds. It is doubtful that this rapid rate of growth and talent acquisition will be sustainable in a down market. Private equity (PE) and Venture Capital (VC) firms acquired and invested in companies that stretched the limits of their own investment strategies—we are seeing the results of this cash infusion and over-expansion now being realized in Silicon Valley resulting in a more cautious and disciplined approach.

The current volatility in the global economy fueled partly by Russia's invasion of Ukraine, the souring of U.S.-China relations, supply chain disruptions, continued peaks and valleys of COVID, and the labor shortage are plaguing most industries. Business leaders are faced with strategic planning challenges after years of a bull market spending and hiring. With the high likelihood of a recession ahead, we are seeing organizations re-evaluate how to perform in what is expected to be a difficult operating environment for several quarters.

There will be regions and industries that are harder hit than others. For example, parts of APAC are still struggling due to issues caused by COVID. Parts of Europe continue to be impacted by the war. Meanwhile, industries like consumer-packaged goods, healthcare, and pharma will remain steady, but tech startups have already felt a significant impact of rapidly deteriorating economic conditions.

## **PE & VC Backed Companies Are Feeling the Change in the Economy First**

PE- and VC-backed companies are already starting to pull back on their spending. While liquidity still exists, managers are not deploying it as freely as they were only a few months ago. The need for financial leadership within private equity portfolio companies is now more critical than ever. These companies need strong financial management to understand the current state of what they bought, which is driving the candidate market for PE financial talent. The demand for talented and capable leaders in this segment remains strong despite the current landscape creating continued leverage for top-tier talent and unprecedented compensation packages.

Venture Capital portfolio companies are beginning to pause hiring or trim staff in preparation for more challenging market conditions. Executive leadership teams are evaluating their hiring plans and re-orienting their teams to focus on critical and revenue-generating hires. Hiring is still robust, but hypergrowth is no longer in focus. Instead, preparations are being made to optimize operations for a down market. HR's role will remain critical, but talent acquisition, which was previously arguably the most in-demand position on HR teams, will begin to take a back seat to talent retention; total rewards; and diversity, equity, and inclusion.

## **Are HR Leaders Prepared for a Down Market?**

The global pandemic put a new spotlight on the HR function. Remote work, dramatic shifts in the labor market, health and safety of employees, total rewards structures, etc., all became critical issues top of mind for CEOs. If the importance of an effective CHRO wasn't as apparent to executive leaders before the pandemic, it certainly is now.

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While HR leaders are still navigating the post-COVID world—including the return to office and hybrid schedules—they will need to shift their focus to organizational design as they attempt to forecast the makeup of their companies in both the short and long term. Defining and identifying what talent should be retained is an enormous task if you have never done it.

That said, over the past 10 years of hypergrowth, talent acquisition and management became the critical skill sets, so now we have a generation of HR leaders who are skilled recruiters but have almost no experience leading through a recession/down market. To overcome this, many will have to quickly learn performance management to manage and assess performance in a hybrid work culture and eventually make decisions on how to right-size in this and future environments. If organizations have the correct support processes in place, managers can probably thrive, but if they aren't prepared, we will likely see a significant increase in executive turnover.

## Retention Remains Crucial

As hiring shifts to become more strategic, intelligent HR leaders must also be incredibly focused on talent retention. This is the single most significant issue facing our clients today.

Compensation is no longer the top motivator. Data shows that most of the workforce values an inclusive organization that's mission-oriented more than just a paycheck. Leaders need to home in on what defines their company culture and make sure they are implementing programs that promote their core values.

Flexible, hybrid, and fully remote work arrangements are strongly desired and are immediate solutions that can be implemented to help. But many organizations are having to get creative with additional benefits to make a true impact—added childcare benefits, expanded mental health coverage, and strong wellness programming. Managers experiencing the best retention results have invested in high performers through leadership team mentoring and engagement from boards and/or PE/VC sponsors.

Executives in this environment must consistently listen to and communicate with employees, keeping them engaged and interested. Key employees need to know they are valued and supported.

## Inside the Boardroom

The demand for the next generation of board members remains high. Public companies are becoming more transparent on board composition via their annual proxy process, and many boards continue to seek additional diversity. Many new directors are being appointed with less prior public company governance experience and more non-traditional career paths across a broad range of C-suite experience, putting additional focus on the year-one onboarding and new director assimilation process.

## CHROs on Boards

As corporate boards continue to grapple with multiple HR-related issues, they are electing a record number of HR executives to help them navigate these challenges, as we found when analyzing the board composition of the Russell 3000 boards. Our May report, *Human Resource Leaders in the Corporate Boardroom*, found that between 2017 and 2021, the number of appointments of HR leaders to corporate boards increased by 300%. By the end of 2021, HR leaders held 250 seats on 242 boards, with 52% of appointments made between 2019 and 2021 and 31 of those leaders sitting on two or more boards. In total, 8% of Russell 3000 boards count at least one HR leader among their directors. And thus far in 2022, more than 20 HR leaders have been appointed to boards. While HR experts on boards remain outnumbered by general management and financial executives, their growing presence signifies an increasing interest from companies to prioritize talent and human capital-related issues.



To read more of the findings, download our report: <https://www.allegis-partners.com/en/knowledge/white-papers/human-resources-leaders-in-the-corporate-boardroom>.

## About Allegis Partners

Allegis Partners is a boutique global executive search firm with a focus on identifying top talent for human resources, board of directors, chief executive officers and other executive and senior management roles across industries. Our high-touch process and deep functional expertise allow our consultants to bring unique insight into each relationship and customize each search within the global market. We excel at identifying diverse candidates with extensive skills and knowledge that meet the specialized needs of our clients. Allegis Partners is backed by the extensive resources of the Allegis Group, the global leader in talent solutions. To learn more about Allegis Partners, visit [www.allegis-partners.com](http://www.allegis-partners.com) and follow Allegis Partners on LinkedIn, Twitter, and Facebook.