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Chief People Officer Lunch Series: Q1 2023 Highlights

In March 2023, the Practice Leaders at FlemingMartin held virtual lunches with more than 100 Chief People Officers (CPOs) from leading technology and life science companies. Our topics spanned the SVB collapse to continued everyday challenges that CPOs face. We summarized responses of our key topics and included some soundbites from the attendees.

1. How did the Silicon Valley Bank (SVB) collapse impact your company and what have you learned through this crisis so far?

The abrupt collapse of Silicon Valley Bank on March 10, 2023, triggered the most significant financial crisis since 2008 and created a week of uncertainty and angst, until the FDIC stepped in to assuage concerns. We caught up with some of our Life Science and Technology CPOs, most of whom banked with SVB. While some companies needed to move money to other banks to access funds, others were able to process payroll through SVB after a brief scare. Ultimately, most of the companies we spoke with successfully navigated the situation by communicating transparently with employees while creating contingency plans with PEOs and other banking partners. Consistently, most CPOs agreed that the outcome was not too chaotic and that proactive communication from the CEO (and/or the CFO) to employees was essential to keeping everyone informed and calm.

2. How have you felt the impact of the new California Pay Transparency laws so far?

While pay transparency is not a new topic in certain states, we asked our CPOs to share their experience with California's new pay transparency laws, and most CPOs agreed that the laws have had minimal negative impact. CPOs agreed that training managers and educating employees to be prepared to address any potential questions from employees was paramount. Meanwhile, some companies focused on focal reviews and merit cycle increases before implementing pay transparency. Interestingly enough, it appeared that company size impacted the corporate approach to pay transparency range, with smaller companies using a tighter range, larger companies using a broader range, and non-compliance for those companies choosing not to post until they are more ready.

3. What equity strategies are you pursuing to retain talent in 2023, in response to depressed stock prices / valuations?

Companies are spending less on sign-on bonuses; one company went from handing out sign-ons to roughly 70-80% of new hires to just 5%of new hires. This is a dramatic shift from last year when the pressure to hire during the pandemic was intense for most. In this merit cycle, companies have leveraged promotional grant increases to retain people and have granted additional equity refreshes for critical business roles.

4. According to a new, global Accenture survey, just 45% of CEOs have created conditions that allow their Chief People Officer to drive business growth. What change could your CEO make to empower you to be more successful?

Most CPOs we spoke with agreed that they are, in fact, able to make great contributions today across strategy, culture, and operations at their companies. However, a determining factor enabling them to be successful in driving growth was the CEO and Board's guidance on priorities.

5. Four-Day Work Weeks

The 4-day work week has been proposed as a way to improve work/life balance and productivity, but most of our CPOs do not believe a 4-day work week is realistic for the tech and life sciences industries. While the CPOs of some global, tech-enabled services companies have been able to successfully incorporate a 4-day and 10-hour-per-day work week, most of the HR leaders we spoke with are doubtful it would be accepted. Moreover, some CPOs have argued that a hybrid work week creates some very similar benefits and productivity gains already.

6. Which metrics are you using to measure DEI outcomes at your company, and how will your DEI initiatives be impacted by judicial headwinds?

DEI continues to be an important focus for most of the CPOs we spoke with, and many are trying to turbocharge DEI awareness through onsite trainings, focus groups, and discussions. For startup companies that have seen belt-tightening in their budgets, the priorities have been to focus on culture, supporting diversity, and the formation and support of ERG groups.

Soundbites

1. How has the SVB collapse impacted your company, and what have you learned so far?

a. *Being a small organization, we're a tight-knit group. We communicated early and often! We held an all-hands yesterday, and we provided everyone a high-level overview; we're not completely in SVB, the biggest stress point was payroll, but we made sure employees got paid. We had devised a plan A, B, and C – even including writing checks from our company checkbook if need be. We didn't end up doing that, but we had that option as a backup.*

b. *There was a lot of scurrying behind the scenes. It was very tough for our finance & accounting department. We use SVB as a pass-through for payroll and of course we were paying bonuses and people got nervous. I worked with the finance team to address things pretty quickly. It was important to be proactive with employees and keep everyone informed. Our CEO sent emails to everyone over the weekend, which was really helpful.*

c. *We had to move money to make payroll since it was set up with SVB. We ended up being fine because our PEO helped us out with payroll, and now we're moving our money into other banks.*

d. *We actually took out a loan to ensure we could pay salaries and bonuses for this week. ADP is also covering for some companies, which has been fantastic. ADP really jumped in for us and made sure it was business as usual.*

e. *We weren't banking with them, but based on not knowing any long-term ripple effects, our CFO sent a note to everybody confirming that we don't, in fact, bank with them but that we're watching the impact.*

f. *All of our corporate cards are with SVB. We were initially terrified but the situation looks better now and we're keeping people informed. ADP handled the payroll very well. Unfortunately, our FSA cards (Flexible Spending Account) were also stopped.*

g. *We postponed our bonus and two dismissals that had been planned for Friday.*

h. *With the SVB news (dominating the headlines), there has also been an uptick in spam and phishing attempts, like emails pretending to be from (our CEO) asking us to click on links to open up bank accounts.*

2. How have you felt the impact of the new Pay Transparency laws so far?

a. *No real issues but there was a lot of preparation going into it. We started to educate our managers; they didn't even know what our comp philosophy was. The next step is to educate our employees, so there'll be a lot more transparency.*
b. *The big thing is figuring out how to report it – EEO codes don't dictate pay or drive market demand. What's the government going to do with the data? The way they want us to report the data doesn't make sense.*
c. *We're just getting ready to launch pay transparency. After discussing with our legal team, we decided to take some risk and wait until April 1st to get through our merit cycle before implementing pay transparency. Next week, we'll be doing manager sessions and will start posting salaries globally rather than just where we're required.*
d. *We're doing pay transparency for all of our jobs in U.S. but haven't gone outside of the country due to the complexities around global pay. Unfortunately, the sophistication just isn't there outside of HR. Most of our hiring has also been outside of the U.S., particularly in APAC, so pay transparency has less impact on us. I haven't heard any issues from our employees as a result of posting ranges. And for the pay ranges we are posting, we've decided not to give away the max range and focus more on the midpoint.*
e. *We benchmarked every job and made sure we educated our employees on the methodology we used to determine salary. We got in touch with our managers who weren't as involved before. We decided to get them really deeply involved this time in compensation. The education pays off. We haven't had a lot of postings yet, but we had an attorney help us with a statement in our postings.*
f. *We proactively went through total compensation training with all employees starting on the first of the year, which was very well received. We rolled out total compensation statements for the first time to all employees a couple of weeks ago. We got a lot of really good feedback from employees.*
g. *We are being very specific with ranges and titling for every role depending on geography. But some candidates are not understanding the geographic band; for example, we have a position posted for CA and a NC-based candidate that applied wants the CA pay to work remotely from NC.*
h. *We've had a few tough conversations with employees who compare their role with people they know at other companies or when they see a job posting. So, it's sparked some conversations. Since there are so many factors in compensation, we've really encouraged managers to refer people to HR instead of answering themselves. We did give managers an overview to help them understand enough about it. We're very transparent with managers about their people to allow them to place them appropriately in the range.*
i. *We have an ongoing dialogue going on with our recruiters who are concerned about the pay transparency piece and recruiting new talent. The law is the law, so we're doing our best to straddle the line of talent recruitment and obeying the law.*

3. Last quarter, we discussed ways of keeping equity competitive in response to depressed stock prices / valuations. What are some trends you are seeing in compensation and retention?

a. *We've made some increases on the bonus to be aligned with the market and as a mid-sized company. We're spending less on sign-on bonuses now; we went from 70-80% to 5% of hires getting sign-ons.*
b. *We were doing a lot of sign-on bonuses because there was a lot of pressure to hire especially during the pandemic. Now we're nowhere near the level of spend that we've seen in the past for*

sign-on bonuses. We've done promotional grant increases to retain people. We've also used equity in the past for critical business roles.

c. *We paid out the bonus in December and haven't had turnover. We're looking for clinical talent and trying to pull folks from large organizations. It's hard to get them out of comfortable, stable companies. There's a risk aversion to leaving for a smaller company right now.*
d. *We're still private, so we didn't have to deal with valuations. We did re-benchmark our equity levels and gave additional option grants last year. We're in a good spot because we launched at the end of 2019 and benefited from people switching jobs. Only recently have we started losing some folks. We're looking at how to retain now, and that hadn't been an issue previously.*
e. *We're working hard to get people to appreciate and value equity since it hasn't been valuable here in the past. We used to give options and it was a mess, and no one valued it. Then, we went to RSUs and it was a little better. Then, people started leaving early, so we moved out the cliff to vest to 2 years.*
f. *We did a repricing for options in January and kept it pretty quiet. Our refresh grants are about ½ of what they were before. The BOD allowed us to top off, so we don't dilute further. No big concerns raised yet, but it may not have really sunk in yet.*
g. *We've been in this position for a few years as our stock goes down often. We switched from all options to a mix of options & RSUs, which was helpful. We also did a repricing for our long-term employees, which was well received, even though we are lower now, it's more achievable. We're doing a lot of education on "percent-of-company" approach and how that approach impacts each employee (as opposed to granting based on value).*
h. *We did an award in a 60/40 split of Options/RSUs, and we provided some training to employees about how RSUs and Stock Options work. After some clinical trial results didn't go our way, we decided moving to RSUs would be best. We're working on how to handle the tax withholding. It's vesting annually (25% a year) so we have a little bit of time to work it out. We have a lot of underwater options. We had pretty good attendance with 75% of the company on the call during the equity education session. Overall, people are appreciative and pretty happy with it. We're starting to see resignations pick up now that bonuses were paid out -- March and April typically have a higher turnover rate.*
i. *We're struggling on the equity side – many people have options underwater and we're hitting the dilution ceiling for ISS (Institutional Shareholder Services). Since it now takes more shares due to the price being down, we're considering repricing or an exchange program. We're also considering asking people to cancel their severely underwater options (we have people at high $20s, and our price is $2). Then we can put that back in the pool and give back. It looks a little like repricing, which investors don't like. There are some limitations to that, and you have to be careful with the optics. You also can't give any grants within 6 months (before and after) of the action (except for new-hire grants).*
j. *We did a retention grant after we did a reduction in force. Most of the equity our employees have is underwater since it's all options, but people are getting a pretty good strike price right now. We're painting a picture of how it'll pay off in the long run.*
k. *Cash is king, and equity is harder to sell right now. It really goes back to the entire reward package for the key talent. For many candidates, it's about choosing the company with the best culture. It appears that culture is a much bigger factor now than it was even a year ago.*
l. *Total Rewards is the most important position you have as a public company. That was the first big hire I made when I came here and that keeps me out of trouble. You really have to have someone strong on top of that.*

4. According to a new, global Accenture survey, just 45% of CEOs have created conditions that allow their Chief People Officer to drive business growth. How could your CEO change to empower you to be more successful?

a. *Viewing me as a business executive and not putting me in an HR container. I want the expectation of being more involved in driving company decisions that would be very beneficial to the business. I have a lot (more) to offer but it is not understood that my underlying skill sets are beyond just HR. I don't think CEOs get it. I'm unsure if it's (due to) HR upping our game, but I think it starts with higher expectations.*
b. *I am working with a first time CEO because I am a sucker for pain! I would say he is involved in everything but as soon as we get our (clinical) data and go commercial, he will have a lot more to focus on. I am working to coach him on what he should be focused on while we're pre-commercial.*
c. *I actually had a conversation with our CEO about this Accenture survey you referenced. He asked me what kind of changes could he make? I said he can continue to dialogue. In terms of the direct impact of HR in driving business results, well, we're looking to do our first employee engagement survey in the next couple months. The truth may come out then!*
d. *In the early 2000s it was all about hiring non-HR people into the HR role – that was the solution: find a finance or legal person and then have them drive HR for the business. That failed. We in HR are often seen as "HR Ops," So we have to be business-minded to break out.*
e. *Take more of an interest in the People function – there's so much interest in other facets of the business, why not HR? I'm not held to the same standards as any other function -- why is that? It's a reflection of CEOs and their perception of the HR function as a whole. So how do we change that perception?*
f. *For so long we've been told to go faster, push harder, but no one has checked the fuel in the tank when it comes to our employees and their well-being… you can only push like that for so long before burning out. Unfortunately, we don't have the luxury to burn out. If the CEO and Board could give me and my team direction on what we need to prioritize, then it would take a weight off our shoulders. It's better to be great at a few things rather than mediocre at everything.*
g. *Our company has had enormous growth and we also had a culture of too much transparency. When we did a RIF, it was such a shock and employees asked why we weren't transparent with them? There's a study that too much transparency breeds entitlement which has a negative impact on culture -- it comes from a good place but can have negative repercussions. [Aforementioned HBR article and another transparency HBR article.]*

5. Four-Day Work Week

a. *I can't see how you can get things done with 4 regular days. It's better to be flexible than to reduce the amount of work hours.*
b. *Four-day work weeks haven't come up. But we have evolved to be all-over-the-map now with our schedules post-COVID. We're trying to establish core days at the office, but our workforce was very productive working from home during COVID. We did a lot of remote hiring during the pandemic too, so some people can't come in. When we survey our employees, everybody wants ultimate flexibility. They don't want to be held accountable to core hours. They need to pick their kids up and they are willing to work at 9 or 10 o-clock at night. It doesn't work for every function, but we've grown into allowing that. It creates retention but is a more complicated model to manage.*

c. *It's different for us because of the hybrid policy – our folks are in charge of their own time. But it would be a really hard sell to have both hybrid and Fridays off. The hybrid model dilutes the movement to a 4-day work week.*
d. *We introduced the 4-day work week to our organization, and we are at 4.9 on a 5.0 scale when it comes to productivity (not able to measure all functions). Unless productivity drops significantly, I can't imagine us going back to a 5-day work week. Fridays are now a catch-up day for me personally, and the flexibility in the schedule has worked well for our team as a whole. We rotate our days off to make sure clients are covered 24/7. It's the most positive benefit I have ever seen as an HR professional. The one challenge is with our 50 non-exempt employees. In states where it is okay to work four 10-hour days without overtime we are doing it, but in states where that would result in overtime, those people are working five 8-hour days.*
e. *I don't think it's possible in a research and discovery organization. The expectation is you're in the lab sometimes seven days a week. If we were to give everybody who is not in the lab a four-day work week, there would be major trouble. It's not something you can do and still be competitive.*

6. Which metrics are you using to measure DEI outcomes at your company, and how will your DEI initiatives be impacted by judicial headwinds?

a. *Absolute numbers (on diversity) are tough because we have pockets of employees -- highly technical engineers are way different than folks that work on the fabrication floor. We define groups by working teams. We have decided that any working group of 4 or more must have 20% from an underrepresented group.*
b. *There is strength in numbers, but beyond that we're focusing on inclusion and creating a space for variety of working styles to ensure our people flourish. What I've also noticed when it comes to DEI initiatives is minorities are always tasked with going above and beyond for these projects and non-minorities are like 'Yay! Great job, we support it!' But they don't do anything to actually support these initiatives. Now, we offer a lot of education and psychology programs and outsource those projects. We also pay our ERG leaders to recognize that it is a lot of hard work ($1K/qtr).*
c. *DEI doesn't impact our org as much because we are small. We focus more on our culture and core values for assessing diverse talent.*
d. *I am a year in here and there was nothing (for DEI) when I started. We need to start delivering this year, though I am a big believer in NOT letting ERGs be employee-grown. I want to start by defining what they are and what they are chartered to do.*
e. *The main pillar that we use to promote DEI is awareness and understanding: onsite trainings, focus groups and discussions, a website on our intranet where we celebrate some of the monthly diversity recognition, and community outreach. For the outreach, we go out to local elementary schools and provide training to underrepresented schools (for 4th and 5th graders) and we teach them about STEM. This is long-term diversity building and probably the coolest thing we do, to be honest. The other big pillar is around career advocacy and advancement. We're working on a mentoring program for women here. As far as metrics are concerned, we used a company called Paradigm Consulting for that development work which was really helpful. We looked at pay transparency and pay equity for women in science roles, particularly.*
f. *There are executive team meetings about how to drive impact with DEI. It's really about progressing people and creating opportunities. For example, "How do we get more of X progressing from a Director to a Senior Director level?" and how that would look. We're still building some foundation and trying to get the executive team away from looking at just the basics of DEI and focusing more on the potential impact of these initiatives.*

7. Bonus: Return to Work Updates for 2023

a. *Return to work has been bizarre. We're asking employees to return to the office 2-days per week to create a more collaborative environment. We've created a fun vibe at the office with catered lunches and social events. However, only 50% of folks are complying with the return to office requirement. Our CEO is asking if we should bump our mandatory in-office schedule to 3-days per week to motivate that last 50% of people to come in.*
b. *We are rolling out return to office on Monday. It is interesting to see the shift – employees had leverage in COVID and now employers are saying they have the leverage. Morale, especially in our industry, has changed. We haven't had a layoff, but the industry isn't booming, and people are stuck in their seat – it doesn't feel good. We are not doing a pulse survey – I am not sure how people are feeling, but I think not so great.*
c. *We made a decision in 2021 to return to office and quickly pivoted back to location flexibility in 2022 when we saw 22% voluntarily leave. We quickly pivoted within one month -- starting from scratch. Voluntary attrition has been historically low since then. Now, we do not require employees in the office at all, but have seen remote work increase and our Employee Satisfaction scores rise significantly. We have seen our real estate sit empty, but our employees are very happy with the flexibility, and we don't intend to go backwards.*
d. *Return to office is difficult to abide by at our company. We have executives who are still remote along with some employees that were 100% remote. So, what we've done is turn 'return to office' into a culture question. How do you best engage with our office culture? What's your level of engagement? We track in-office attendance, Slack involvement, etc. What we've come to notice is: people are much more engaged after they get involved in their own way.*
e. *We are on a hybrid work schedule with 'core days' for in-office attendance from Tuesday through Thursday. That way, we get critical mass on those days. We order lunch on those days and found folks were spending more time in the breakroom, having lunch together, chatting, and were more present in our meetings. We also have an in-office schedule of 10am-3pm to avoid commute hours, which helps too.*

8. Bonus: Competitiveness of Talent Market

a. *My CEO did ask me if candidates aren't being as demanding or tough negotiators in 2023. There's no discount on salary in the Bay Area in my view, but the talent pool is slightly different compared to last year. Even the larger companies are experiencing downsizing this year, so we see a broader candidate pool from those companies.*
b. *There are certain roles (and we all know which roles those are) and the supply is just not there, so the demand will just continue and so will the price. Biometrics seems to be hot always, for example. There aren't enough people qualified nationally, let alone in the Bay Area!*
c. *Our website traffic for people looking for jobs has doubled in the last couple of months and our turnover rate has fallen pretty dramatically. But for certain skillsets, the job market is still pretty hot.*