

# The Economist

## The importance of people people

### The coronavirus crisis thrusts corporate HR chiefs into the spotlight

In a pandemic, a chief people officer can make or break a company

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#### Business

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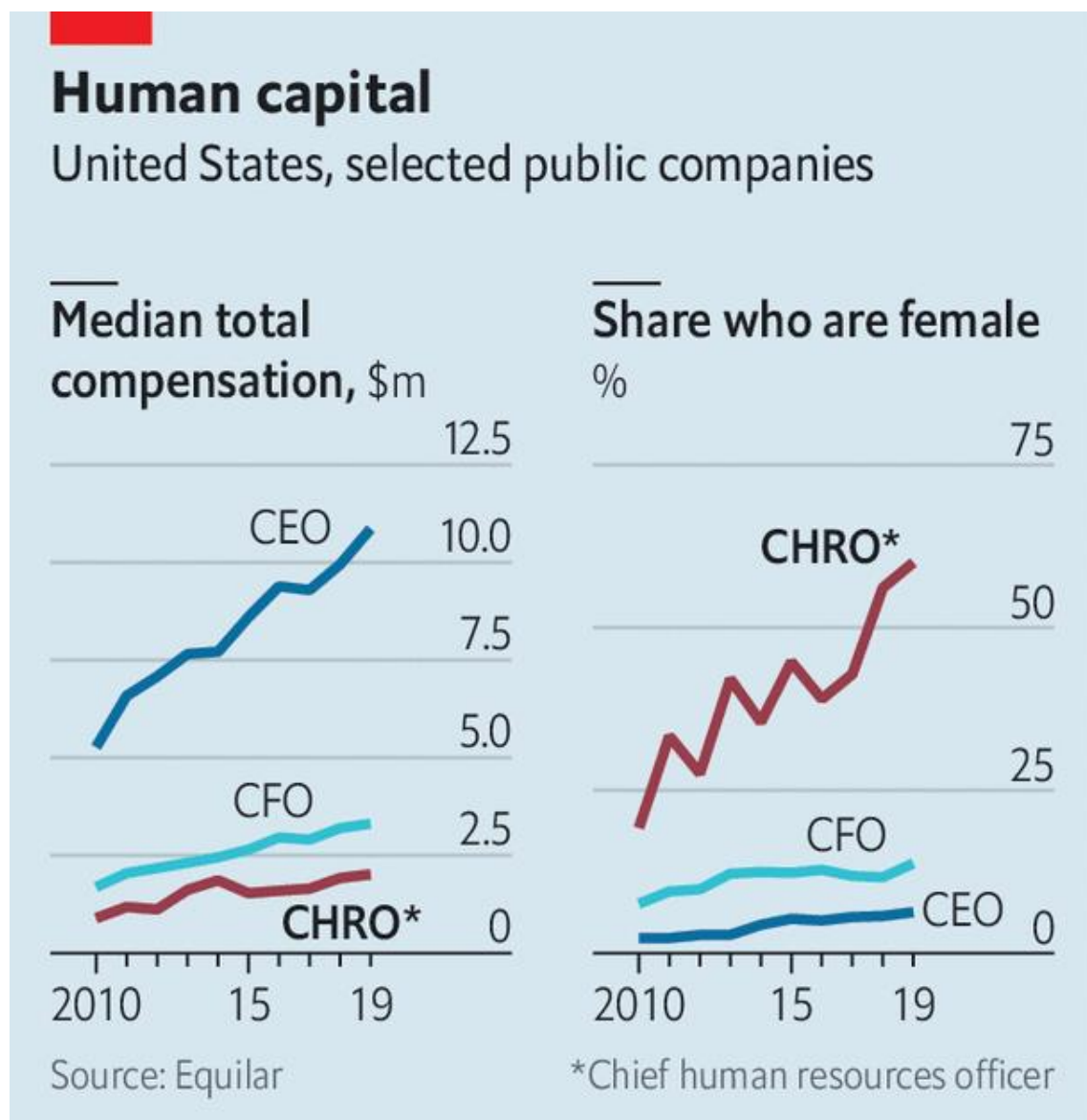
WHEN THE financial crisis rocked the business world in 2007-09, boardrooms turned to corporate finance chiefs. A good CFO could save a company; a bad one might bury it. The covid-19 pandemic presents a different challenge—and highlights the role of another corporate function, often unfairly dismissed as soft. Never before have more firms needed a hard-headed HR boss.

The duties of chief people officers, as human-resources heads are sometimes called, look critical right now. They must keep employees healthy; maintain their morale; oversee a vast remote-working experiment; and, as firms retrench, consider whether, when and how to lay workers off. Their in-trays are bulging.

Once derided as “pay and parties” managers, by the early 1990s HR chiefs turned to compliance, keeping firms out of the courts (and papers). A subsequent string of corporate imbroglios elevated their status, notes Patrick Wright of the University of South Carolina. In the wake of executive-pay scandals at companies such as WorldCom and Tyco in the 2000s they became more involved in remuneration. A decade later bungled successions, for example at HP, a printer-maker which sacked two bosses in as many years, left them with a bigger say in filling top jobs. In the past few years they have dealt with companies’ often very public “me too” troubles.

As recruiting and retaining skilled workers became chief executives’ big preoccupation—four-fifths now worry about skill shortages, up from half in 2012—HR heads’ desks moved ever closer to the corner office. Today many reside right next

to the boss. Shareholders are inviting more outside HR chiefs to boards. In America their salaries remain lower than CFOs' but have risen 20% faster since 2010 (see chart).



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A higher profile entails new expectations. HR was once the domain of history graduates and masters in labour relations; nowadays plenty hold business degrees. Although most firms recruit them from HR jobs, more are choosing outsiders or unconventional candidates. According to Russell Reynolds Associates, an executive-search firm, HR heads appointed to Fortune 100 companies between 2016 and 2019 were around 50% likelier than earlier hires to have worked abroad, in general management or in finance.

Before covid-19, tight labour markets and empowered employees pressed employers to understand how to get the most out of their staff, says Dane Holmes, a former head of human-capital management at Goldman Sachs, an investment bank, who now runs an HR-analytics firm. Diane Gherson, who runs HR at IBM, overhauled

the computing giant's performance management using big data. Algorithms now challenge IBM managers' instincts on pay and promotion, and alert Ms Gherson's team when staff are at risk of fleeing (often before they realise it themselves).

The pandemic makes such "people analytics" more relevant. Beth Galetti, Ms Gherson's opposite number at Amazon, an engineer with no HR experience before joining the e-commerce titan, oversees 1,000 developers working exclusively on HR software. Amazon's pre-outbreak investment in digital induction for fresh hires is paying off. "We on-boarded 1,700 new corporate employees on [March 16th] alone," Ms Galetti reports.

Covid-19 may lead more HR chiefs to adopt such systems. In the short run many have more pressing problems. Mala Singh, chief people officer at EA, a maker of video games, represents the c-suite on the team tasked with pandemic response. This now occupies 60-70% of her (long) day. Her team has been getting staff desks, computers, even noise-cancelling headphones. A bigger concern was balancing work with child care. Ms Singh told the caregivers on EA staff to take as much time as they need to adapt without using up paid leave. She is digitally monitoring employee sentiment, particularly anxiety. In a creative business like EA's, "having someone stressed about their family situation does not enable productive work", she explains.

Many companies, especially outside the knowledge economy, face tougher choices. HR leaders must strike a balance between a firm's professed purpose, which these days often involves treating staff decently, and the bottom line, observes Dan Kaplan of Korn Ferry, a consultancy. The instinct is to cut costs through mass redundancies, as some hotel chains, airlines and others have begun doing. Rather than slash payrolls indiscriminately, says Bill Schaninger of McKinsey, another consultancy, good HR heads can use the crisis to reconfigure company workflow: what needs to be done by whom, what can be automated and what requires people to share the same space. Some workers who at first appear redundant may be redeployed or reskilled.

The most far-sighted HR-ers at the most resilient companies are already starting to look beyond the flattened curve. Although not quite recruiting—times are too uncertain—Ms Gherson has begun to court talent at rival firms. Now that everyone is working from home, she says, no one is listening in on their calls. For a savvy HR chief, "it's the perfect opportunity."

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