



The Elevated Talent and Culture Agenda in the Boardroom

To understand how the pandemic has changed the conversation in the boardroom, earlier in 2022, Deloitte interviewed chief human resources officers (CHROs) from 15 leading organizations across multiple industries, including financial services, consumer products, technology, telecommunications, energy, retail, manufacturing, and hospitality. We asked which workforce issues have been elevated to the board level and which topics are likely to remain there for the long term. We also inquired how the CHRO-board of director relationship evolved during the crisis and what skills CHROs have had to draw upon to succeed in their new environment. We spoke to diverse industries and geographies, and the feedback was largely consistent, suggesting that the role of today's CHRO is becoming more strategic, influential, and demanding—or, as one executive stated, "I don't remember a time when CHROs had as much time in front of the board as over the past two years."

The elevated talent and culture agenda in the boardroom

With the future of the workforce in the spotlight, CHROs are stepping up into an expanded role

For most organizations, Covid-19 further amplified workforce issues at the board level, focusing on responding to the crisis. As the world emerges from the pandemic, organizations are pivoting from crisis response to reimagining how they operate in the face of economic shifts, geopolitical and social justice issues, climate impacts, societal expectations, and a changing talent landscape. Workforce imperatives are at an all-time high, and the pandemic has fundamentally altered workers' expectations and how they will work in the future. With talent rising to the top of the agenda, boards of directors now want even more involvement in workforce issues, expanding the role of the CHRO as a vital enabler of an organization's ability to thrive in a world where the old rules of work no longer apply.

Even before Covid-19 struck, boards of directors' attentions were heavily attuned to the importance of talent, culture, and connecting business strategy to purpose. Pre-pandemic trends such as artificial intelligence (AI) and automation, shifting demographics, changing societal expectations, and intensifying competition for knowledge workers have spurred boards to broaden their oversight beyond the traditional focuses of executive compensation and succession planning. Most of the conversations were channeled through the human resources committee and its chair, usually landing a formal spot on the board's agenda, yet perhaps only once or twice a year.

As the pandemic took hold, board members quickly realized that organizations' success, or in some cases survival, hinged on workers' ability to adapt and to remain healthy and productive. Directors sought regular briefings and updates directly from the CHRO on mental health and well-being, talent retention and development, hybrid work solutions, and the future of the workplace.

Crises always bring change, and the pandemic is the latest example of boards extending their mandates in response to external challenges. In 2002, for instance, U.S. Congress passed the Sarbanes-Oxley Act to help restore investor confidence in public markets by improving the reliability of financial statements.¹ Boards both in the US and beyond enhanced the function of their audit committees to help them keep pace with the new requirements, elevating the role of the CFO in the process. In 2008 and 2009, the financial crisis spawned new perspectives on risk for businesses, forcing directors to think in new ways about how risk could affect their organizations' operations, and the risk committee became an essential component of a well-functioning board.

Coming out of the pandemic, CHROs now find themselves shoulder-to-shoulder with their CEOs at the leadership table, making key decisions, and, in many cases, they have developed direct ties with the board chair. While there's no one-size solution for how CHROs work with boards, our research offers a view of how this relationship is evolving within leading organizations and practical insights that many other organizations can apply.

Shifting conversations

The past two years have shown that successful leadership involves more than delivering strong financial and operational results—the outcomes investors have traditionally viewed as the priority. Executives and shareholders are now crystal clear on the value of the human side of leadership, meaning the capability to connect with others, show empathy and compassion, be inclusive and resilient, and excel even in uncertainty.

¹ Legal Information Institute, "[Sarbanes-Oxley Act](#)"

In the early days of the pandemic, the focus was on responding to the crisis and business continuity—figuring out how to keep staff safe, managing the logistics of closing facilities, and enabling workers to operate remotely. Consumer goods manufacturers had to figure out how to avoid spreading Covid-19 in factory settings, retailers needed to adopt safety protocols that would give staff the confidence to keep showing up to work, and most had to provide remote workers with the necessary technology and security to operate outside of traditional work environments—or inside facilities with very different working norms. Gradually, the conversation expanded to the well-being and mental health of employees and, even more notably, executive leaders—a topic that continues to be of concern today. “Suddenly, there was a lot riding on how well our people were doing,” said the CHRO of a large telecommunications company. “There was an extremely heightened level of focus on well-being.”

As the emergency level of the pandemic subsided, the board’s focus expanded to longer-term issues, including talent shortages and development, organizational purpose connected to work, and retaining or strengthening culture through the emergence of hybrid working—a combination of on-site and remote working.

“Last year, we added a committee to our board called the social purpose and culture committee,” said the CHRO of a major convenience store and gasoline chain. “It’s focused on the environment, people and culture.”

Younger generations that comprise a significant portion of the workforce seek purpose-driven work, empowering them to drive change—both within their organizations and in society. They want to work for organizations that prioritize positive societal impact and where they have an opportunity to get directly involved and make a difference through their work.²

The CHRO of a global energy company explained: “The expectations of employees are changing. In the past, the employer or supervisor dictated how things were going to be. Today, employees feel empowered to say ‘no,’ so it’s a shock to the system of management and supervision. This is not an equal relationship, and I’ve noticed a power shift. We will have to build up the muscles of our leaders to again be empathetic and make decisions that are in the best interest of both employees and the company. It’s an ‘and’ not an ‘or.’”

Research shows a clear link between the workforce’s alignment with a company’s social impact values and higher worker engagement rates, lower turnover, and improvement in other measures of business health. Workers are likelier to stay with companies offering volunteering and fundraising opportunities. Nearly 40 percent of millennials say they selected their job because their employer’s social impact was better than that of alternative companies. Gallup has found that a 10 percent increase in employees’ connection with their organization’s mission or purpose would lead to a 13 percent decline in safety incidents, an 8 percent decrease in turnover, and a 4 percent improvement in profitability. Social impact efforts can play an important role in talent recruitment, retention, and engagement strategies.³

Leadership skills and succession planning have also become a big part of the talent discussion at the board—and there is a growing focus on character, emotional intelligence, and leading with humanity. “The key thing is leaders’ abilities to be resilient and to look for solutions. When your sales drop 70 percent in one week, you need to have people who are resilient and creative. That skill set is still important now because we are seeing instability and even inflation. If you imagine what inflation will do to a business that has small unit costs... those are the skills we need to build into our future leaders in this business, and the board is asking how we are approaching it,” says the CHRO of a global apparel manufacturer.

Future of talent and future of work

In today’s competitive market, the war for talent has become paramount. Remote work has radically altered where and how jobs are performed, creating competition for talent across geographies, and organizations are working to create propositions that attract people to join and stay onboard.

² Michele Parmelee, “[Don’t want to lose your Gen Z and millennial talent? Here’s what you can do](#),” Deloitte Insights, May 18, 2022.

³ Rhonda Evans and Tony Siesfeld, PhD, “[Measuring the business value of corporate social impact](#),” Deloitte Insights, July 31, 2020.

In 2021, an unprecedented 47.8 million people in the United States quit their jobs, the largest exodus on record in that country.⁴ The Great Resignation is driving organizations to double down on attraction and retention efforts and build work experiences that put the workforce at the center. This trend continued into 2022 and extended worldwide with a similar impact.

Attraction and retention efforts are increasingly focused on “human” elements, such as demonstrating to workers that they are valued, expanding learning and career development opportunities, providing flexible work arrangements, better compensation perks such as sabbaticals, and helping to foster a stronger sense of belonging.

While the resignation trend may slow, the massive movement of talent is one more reminder for organizations of how important workforce issues have become. Corporate boards are responding by seeking greater visibility into talent practices. “They want to understand how we are positioned as an employer. Are we being competitive?” asks the CHRO of a large technology company.

Boards also ask about resignation trends and how their organizations proactively counter them. The CHRO at a global manufacturer says, “We’ve shared data with the board on living wage across our work streams, which we’ve never done before. Now that we see the data, everyone is keen to see the progress, and the CHROs across business units will play a growing role there.”

Many organizations are beginning to plan for the future of work, implementing automation to elevate the role of humans in the workforce, evolving corporate offices to collaboration spaces for meaningful interactions and creativity, reimagining manufacturing floors and retail spaces to apply automation increasingly, and rethinking workforce planning and workforce composition to include a broader spectrum of human and machine talent.

Boards also emphasize reskilling and upskilling efforts, prioritizing growing workers’ digital capabilities. They are engaging with CHROs at more granular levels with attention to detail as part of their role in helping to steer short- and long-term priorities. “As part of developing our future workforce strategy, we look very closely at microtrends and narrowing down to trends we believe will impact our industry and our company. We’ve identified three: rapid technological changes, changes in employee expectations of companies, and flexibility. The board wants to know if we’ll have the skills and capabilities in the future to execute our strategic objectives,” says the CHRO of a global energy company.

Sustainability, climate, equity

Increasingly empowered consumers and more activism-oriented investors push organizations to address environmental, social, and governance (ESG) issues concretely and transparently. As these pressures build, board members are now expected to explain how their decisions reflect their stakeholders’ interests and the organization’s long-term sustainability. Setting commitments grounded in the organization’s business strategy and authentic to its purpose demonstrates to workers and stakeholders that the leaders have integrated ESG into how they think about the business.⁵ As a result, ESG priorities are increasingly becoming part of the board’s discussions about talent.

In many large companies, accountability for the ESG strategy resides with the CEO, who arguably is the person best positioned to integrate the business and culture changes required across the organization. Some businesses added the role of chief sustainability officer to develop the strategy, and others put responsibility in the hands of the head of government relations or the general counsel. But the CHRO has a critical role to play, as well.

“We’ve become more intentional in terms of corporate direction and strategic direction across our ESG metrics,” says the CHRO of a global food manufacturer. “We aligned with the board about the measures and targets for the next five years. In some cases, we’ve aligned 30 to 40 percent of senior leaders’ pay to achieving ESG targets.”

Many find that they must articulate to the board the meaningful shifts they seek to influence or improve to enhance the organization’s sustainability, climate, and equity impact. These shifts include driving behavioral change from leadership to all workers and how a new

⁴ U.S. Bureau of Labor Statistics, “[Job Openings and Labor Turnover Survey News Release](#),” news release, March 9, 2022; Society for Human Resource Management, “[Interactive Chart: How Historic Has the Great Resignation Been?](#)” March 9, 2022.

⁵ Veronica Poole and Kristen Sullivan, “[Tectonic shifts: How ESG is changing business, moving markets, and driving regulation](#),” Deloitte Insights, October 29, 2021.

mindset can be embedded into the culture and then managed and refined. “When we look at companies who have had success on the ESG platform, we want to understand what leadership behaviors stand out... how do we amplify those? It’s become a big part of my portfolio, even though we have appointed a chief sustainability officer,” says the CHRO of a global financial services organization.

Some CHROs now make a case for seeking greater employee input in their organization’s social purpose. They want the workforce to feel connected to that purpose so they can help bring it to life, arguing that such a match is the best talent retention tool available. It’s equally important that social initiatives pair well with an organization’s vision, strategy, and brand.

One global technology organization worked with employee networks to identify key causes they want to support as a community. “This was not just [charitable] giving,” said the CHRO. “We will use this opportunity to create relationships for our employee networks, to engage our employees in volunteering, and for us to engage with the leaders of these organizations to come and educate our employee base.”

An organization’s diversity, equity, and inclusion (DEI) practices have also garnered the attention of boards as part of the social element of ESG, and they have a heightened interest in data to understand where impact is being made. The board of a major US-based financial institution is requesting regular updates on discrimination complaints and looking at patterns of behavior in the data. “[The board] wants to see that we’re getting at the root cause,” says the CHRO. “The dialogue is getting deeper because our information and our tracking is getting better.”

HR executives say that the board’s deeper focus on DEI is here to stay and is generating strategies, policies, and practices that will make a difference over the long term. The CHRO of a convenience store and gasoline chain described the board’s approach to DEI before the pandemic: “Go slow. It’ll happen organically. Be careful.” A year later, everything had changed. Every employee has had training on DEI issues. The company is looking across all areas—from vendor relationships to succession planning—to ensure it’s not “missing the mark on diversity.”

Tomorrow’s workplace is a work in progress

As boards hone in on workplace issues such as talent attraction, engagement, retention, DEI, mental health, and well-being, perhaps the biggest unknown they wrestle with is “What will the future of work look like?”

Many businesses are keen to get their staff back into the office, at least part of the time, but the use of digital tools has accelerated dramatically, and workers’ expectations have shifted. As they consider their well-being and re-assess personal and professional goals, workers look for greater flexibility and choice from employers. CHROs find themselves explaining to their boards that the old top-down management formula isn’t applicable anymore and slows down innovation and how work gets done. CHROs are providing many information pieces to the puzzle, yet this remains an open question for many organizations.

“We’re still trying to define the scope of the future of work,” says the head of HR at a global food manufacturer. “We’re revisiting how to engage with our associates and how to act on feedback that we get through surveys to make sure we’re more in tune with our associates and their experiences. We will need new ways of leading and managing people. It’s a matter of defining the destination and the vision and then making a plan to take us there.”

The CHRO’s unique skillset

As the CHRO’s engagement with the board has increased, so has the need for an expanded skill set. Many CHROs say that to work effectively with the board; a CHRO must enter the boardroom with their arms around the business and a good understanding of how talent issues are directly connected to business issues. “The ability to speak the language of the business has helped,” says the CHRO of a global technology company. “That’s been critical during this time and will continue to be. Covid-19 has accelerated digital transformation. It’s changing the competitive landscape for us and opening huge growth opportunities. Being able to connect what it means for our people, our culture, and how we work... and how it connects to business outcomes is critical.”

“The ability to see issues through a broader set of lenses and to understand how it will be perceived, what are the pros and cons of different elements and how do they shape a solution—that’s been the biggest struggle,” says the CHRO of a multinational investment bank.

The CHRO needs to communicate complicated ideas succinctly, providing relevant, actionable, insightful information. The process is made easier by distilling information that will be most helpful to the board. “You need to think about what is coming around the corner versus what’s in your face,” says the HR chief at a hospitality company. “That’s best done by trying to get into the mindset of the whole team. Every day I go home and try to think: what’s on the mind of the CEO... what’s on the mind of the board? Taking your stakeholder groups and putting yourself in their shoes is critical.”

Overseeing an organization’s human resources is about inspiring and motivating the workforce to excel, achieving their best with the highest possible productivity that balances well-being. That is a tall order. Boards of directors will want the latest details and data from their CHROs, and the CHRO has an opportunity to create the biggest impact by connecting vast data and information with compelling narratives that humanize the business. “Many of us may remember growing up sitting around the fire, telling stories; that’s how we connect with each other,” says the CHRO of a global apparel manufacturer. Numbers must tell a story, and incorporating real human examples makes the story meaningful. “Look for ways to connect with the board in a way that they’ll understand.”

Conclusion

The pandemic further elevated the workforce agenda in the boardroom, accelerating a trend that societal, economic, demographic, and technological forces had started even before the arrival of Covid-19. The role of the board of directors—and CHROs—is vastly different, expanding beyond traditional HR to include such issues as the cultural health of the organization; strategies for attracting, developing, engaging, and retaining workers; workforce mental health and well-being; and DEI. In addition, leadership capability models are being infused with more “human” behaviors.

The extra demands require boards to refine their schedules, adopt new practices and consider a range of new ideas. Many new ideas are making it to the boardroom as CHROs are called on more frequently and directly—from enhancing the workforce experience to designing the hybrid workplace to strengthening culture. New practices are emerging, yet there isn’t a clear consensus on managing all the change.

The feedback received from CHROs for this report represents a snapshot of an evolving dialogue at the board level. The model for board conversations about the workforce is in the early stages, and outcomes are still difficult to measure. That will change with time as boards and their HR committees refine the strategies and approaches that foster a healthy workforce and culture for high performance and engagement.

Now is a generational moment for CHROs to collaborate with their boards to enhance workforce strategies and organizational culture to drive sustainable performance.

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