

Modern Boards

Why workforce
strategy needs a seat at
the boardroom table

The COVID-19 pandemic has hit boardrooms worldwide. Companies need to build resilience, and the board is critical to holding leadership accountable for shaping a workforce strategy that will help guide a business through volatility, uncertainty and complexity.

Today's boards are slowly changing. They are becoming more diverse across gender, race, level of education and years of experience. While board composition is changing, the world within which they operate is rapidly evolving. New perspectives and diverse mindsets are needed to help boards lead a business, enable a future workforce and create sustainable value beyond what is seen on balance sheets.

The pandemic has fast-tracked a rising trend toward workforce strategy oversight at the board level. In Accenture's Modern Board 2020 Survey, we found that COVID-19 increased 70 percent of board member involvement in the company workforce strategy.

Boards of directors are finding themselves under increased pressure to recalibrate yesterday's business strategy and governance models to address today's evolving needs. The pressure is high. The need is undeniable. **It is time to give workforce strategy a seat at the table.**

COVID-19 increased

70%

of board member involvement in company workforce strategy.

🗨️ The human capital dimension has been at the forefront of every COVID-19 discussion. It's been protecting people first, and then looking at the financial implications second. 🗨️

- Board member at a high-tech company



**Board
engagement
in workforce
strategy is
no longer an
option; it's the
new oversight**



The pandemic is not the only factor propelling a new level of board involvement in workforce strategy—industry leaders and governing bodies are calling for change. The International Business and the World Economic Forum recommended non-financial disclosures across environmental, social and governance (ESG) domains to help advance more mainstream and universal annual reporting.¹ Large investor groups such as BlackRock and State Street Global Advisors penned letters in 2019, urging companies to increase their focus on company purpose, workforce strategies and culture.² The rationale being that a strong effort in workforce

strategy plays a role in strong company performance, including risk mitigation and the bottom line.³

Our research found that Modern Boards were leaders of organizations that exhibited better performance in workforce strategy, revenue and innovation. They are stewards of companies that have experienced **revenue growth of 10 percent or more when compared to their peers** (over the last three years).⁴ Furthermore, these organizations were better prepared for and responsive to crises such as COVID-19 and the impact of social injustice

 We will continue to see a board that's taking a long-term view, but a stronger component of that view is going to be workforce strategies. We've all learned that it's during crisis when you can count on your people the most. 

- Chairman of the board
at a financial services company

1. Measuring Stakeholder Capitalism Towards Common Metrics and Consistent Reporting of Sustainable Value Creation

2. <https://www.hrpolicy.org/news/story/blackrock-state-street-ceo-letters-to-companies-focus-on-corporate-purpose-human-capital-and-culture-16309>

3. <https://www.sec.gov/rules/petitions/2017/petr4-711.pdf>

4. Although there was a difference it was not statistically significant. This could be due to sample size $F(2,252) = 2.177, p = .116$

Boards involved in workforce strategy were better prepared to deal with COVID-19

Board involvement strongly influences how well a company responded to COVID-19. Companies with highly and moderately involved boards were 1.6X more prepared for their COVID-19 response than companies with low-involved boards.⁵

When asked how prepared they were to give oversight for the company with their COVID-19 response, highly and moderately involved boards were 1.4X and 1.3X more prepared than boards with low involvement—and the involved boards ultimately fared better.⁶



5. Board Involvement and Company Response to COVID-19 $F(2,252) = 5.723, p = .004$

6. Board Involvement and Board Oversight during COVID-19 $F(2,252) = 5.734, p = .003$

What does it take to become a Modern Board?

The **Accenture Modern Board 2020 Survey** reveals that boards answering the call are excelling across five key dimensions:

01 Mindset

Elevation of workforce topics and shared accountability with the C-suite

02 Mission

Responsiveness to social issues that have an impact on the workforce

03 Metrics

Expansive workforce metrics inform decisions that benefit the business

04 Muscle

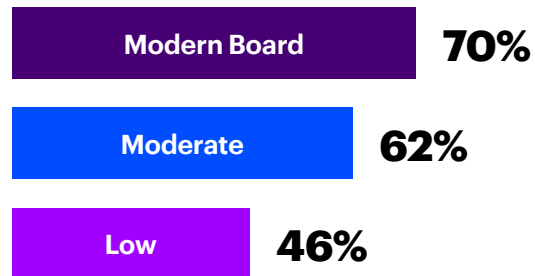
Confidence in management's strength and ability to execute workforce strategies

05 Makeup

Strong board diversity across many facets

Bringing workforce strategy into the boardroom has a payoff on the bottom line

As noted previously, Modern Boards lead companies that are experiencing more revenue growth. Boards with low involvement in workforce strategy saw a revenue decline of at least 5 percent during COVID-19 within the businesses they oversee—a rate 1.3X higher than boards that shielded their organizations from such a decline in financial performance.⁷



Modern Boards are up to 1.5X likely to outperform peers in innovation

n = 255, Modern Board Survey 2020

7. The difference was not statistically significant $F(2,252) = .993$, ns

8. Board Involvement and Innovation $F(2,252) = 5.492$, $p = .003$. This difference was statistically significant.

Innovation is a hallmark of companies with Modern Boards. These businesses are **up to 1.5X more innovative than their peers.**⁸ Even boards with moderate involvement in workforce strategy proved to lead companies, which are significantly better at innovation.

As with most enterprises facing disruption, companies must scramble for both resources and top talent to outmaneuver uncertainty with innovation. This rings true regardless of industry and board type. For example, venture capital-backed startups and companies, which are a key source of ecosystem innovation, require board members to quickly mobilize funding to sustain company operations during a crisis. However, it also requires oversight over workforce strategy.





01 Mindset

Modern Boards elevate
workforce topics and have shared
accountability with the C-suite

Boardroom leaders—and the entire C-suite—have an active role to play in addressing workforce topics. **Modern Boards are 1.7X more likely to hold the broader C-suite accountable for workforce strategy.** By sharing accountability across the C-suite with necessary board oversight, the board can empower management to lead. It sets the tone for how critical workforce strategy is across the organization.

Raising the accountability of workforce strategy to the boardroom reinforces to management that their workforce initiatives and strategies are important and monitored by the highest levels of corporate governance. Modern Boards who provide the necessary oversight and hold the broader C-suite accountable for workforce strategy are nearly 2X more likely to have a mature workforce strategy whose effectiveness is driven by metrics.

 While the CHRO function is essential to inform and develop workforce initiatives and strategy, workforce strategy is the most effective when implemented and owned across the various management lines. 

- Cheemin Bo-Linn , PhD, Board of Director and Audit Chair at BMC Stock Holdings Inc.

A group of diverse business professionals in a meeting. A woman with curly hair is speaking and gesturing with her hand. Other people are visible in the background, some looking at her. The image has a warm, orange-toned background.

02 Mission

Modern Boards act on
important social issues

Modern Boards are nearly **1.9X more likely to be responsive to inclusion and diversity issues**, not just internal to the business, but externally as well.⁹ They are also more responsive to social issues that have an impact on the corporate culture and worker well-being.

In addition, they were 1.3X more likely than their counterparts to lead businesses that take a stand against racism and bias in the workplace, and up to **2X more likely to publicly report diversity and well-being metrics**. These boards not only recognize the problems, they are also more prepared to address issues related to diversity in the organization.

Take, for instance, recent social movements such as #MeToo. Substantial leadership changes have demonstrated that these movements can cause major cultural shifts within companies.¹⁰ These movements serve as warning signs that culture and values are rising to the top of the corporate agenda. And companies that voluntarily address the business' inherent weaknesses will thrive.

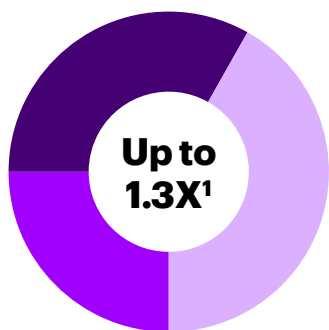
The prominent rise of the Black Lives Matter (BLM) movement against systemic racism sparked action across many companies. Roughly 70 percent of Modern Boards discussed BLM, which was 2.5X more than boards with little involvement in workforce

strategy. Of this group, 41 percent had scheduled an emergency board meeting, and 30 percent had discussed BLM at a previous meeting.

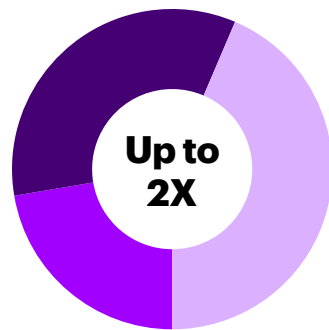
Change is necessary, and it's also imperative to the generations that will lead the company into the future. Millennial and younger workers look to more purpose-driven companies with values aligned to their own. Boards that are open and committed to progress can strengthen relationships and build trust with this critical audience.

9. Board Involvement and Responsiveness to D&I challenges $F(2,252) = 7.386, p = .001$. They fare significantly better than their peers.

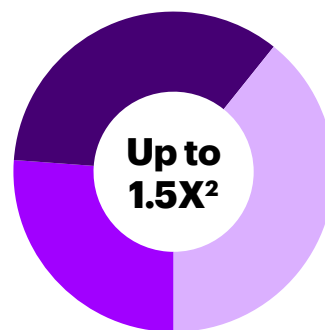
10. <https://sloanreview.mit.edu/article/bringing-lessons-from-metoo-to-the-boardroom/>



More likely to stand against racism and bias in workplace



More likely to publicly report on workforce diversity and well-being



More likely to evaluate CHRO effectiveness to drive workforce change

¹ Strongly agree and agree responses

n = 255, Modern Board Survey 2020

Low Moderate High

Social issues are important to workers—and customers

Accenture Strategy's global survey of nearly 30,000 consumers found that **62 percent of customers want companies to take a stand on current and broadly relevant issues** such as sustainability, transparency or fair employment practices.

Companies that don't step up pay the price. More than half (53 percent) of consumers who are disappointed with a brand's words or actions on a social issue complain about it. That's not surprising. Customers have always complained. What's different now is that 47 percent walk away in frustration, with 17 percent not coming back. Ever.¹¹

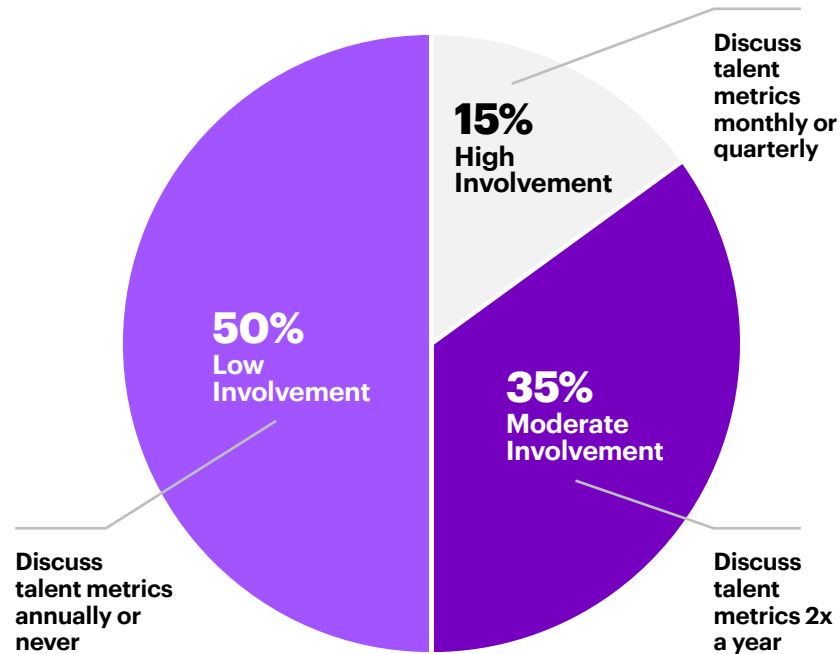
11. Accenture; "From Me to We: The Rise of the Purpose-Led Brand"; 2018; https://www.accenture.com/_acnmedia/Thought-Leadership-Assets/PDF/Accenture-CompetitiveAgility-GCPR-POV.pdf

03 Metrics

Modern Boards measure critical workforce elements and act on data to improve capabilities



Modern Boards know that they can only manage what they can measure. These boards embed workforce strategy in their oversight. They also frequently measure and discuss workforce metrics on a monthly or quarterly basis (rather than reviewing metrics biannually—moderately involved, annually or not at all—low involved.) Modern Boards **are 3.8X more likely to have a strong pulse on the workforce health** of the businesses they guide, compared to their less involved counterparts, and 1.3X more than their moderately



involved counterparts. Accenture's survey showed that Modern Boards only accounted for 15 percent of our sample, while moderately involved boards comprised 35 percent. The largest portion of our sample (half of the respondents) was low involved boards, illustrating that some boards have work to do to elevate workforce oversight in the boardroom.

n = 255, Modern Board Survey 2020

Modern Boards review financial metrics, and they also examine various workforce metrics to provide critical oversight on issues vital to elevating and empowering the workplace.

The workforce metrics most commonly discussed among Modern Boards are related to productivity, health and safety, and candidate recruiting. Health and safety metrics will likely garner more attention during the pandemic as boards contemplate bringing on new roles, such as medical officers, to better prepare for and manage health and safety risks.¹²

Our research also shows that Modern Boards are tackling tough workforce topics that elicit public scrutiny, for instance, pay equity, inclusion and diversity, and workforce reduction plans. The latter could arguably be due to extended periods of workforce expansions.¹³ With an economic crisis present and ever-looming, workforce reduction may become an area to increasingly monitor and develop strategic responses around—without compromising human dignity and compassion.¹⁴

“The board wants to have assurance that how you’ve decided to change your manufacturing floor will promote safety and well-being of the workforce. We’re spending time on things that normally we wouldn’t go this deep on.”

- Board member at an industrial company

12. <https://www.wsj.com/articles/covid-19-is-elevating-new-type-of-executive-chief-medical-officer-11597051800>

13. <https://www.cnbc.com/2019/07/02/this-is-now-the-longest-us-economic-expansion-in-history.html>

14. <https://hbr.org/2020/04/how-to-manage-coronavirus-layoffs-with-compassion>

Frequent Review of Workforce Metrics by Board Involvement (High, Moderate, Low)

	High (%)	Moderate (%)	Low (%)
Talent Attraction and Recruiting	94.6	64.4	20.3
Learning and Development	97.3	42.2	10.9
Diversity and Inclusion	83.8	40.0	3.1
Talent Retention	94.6	52.2	19.5
Employee Wellness	97.3	53.3	5.5
Pay Equity	62.2	8.9	1.6
Health and Safety	97.3	74.4	36.7
Employee Engagement and Experience	97.3	52.2	10.2
Productivity	100.0	81.1	46.9
Workforce Reduction Plans	73.0	44.4	22.7

n = 255, Modern Board Survey 2020

Workforce data gives boards insight into the effectiveness of workforce strategy, which is critical to advancing business strategy and mitigating risk. Workforce data at the highest levels of corporate governance can help improve retention, workplace culture and prepare the workforce for the future.


When leadership can demonstrate with data that it is advancing workforce strategy, it fosters a culture of trust. There has arguably never been a more critical

time to capture and build trust by meeting the needs of what matters most to your workforce. **Roughly 1 in 2 workers agree that the ethical, sustainable and moral values that a company holds will become more important to them after the pandemic passes.**¹⁵

This speaks to the importance of disclosing workforce metrics—widely known as Human Capital Management (HCM) disclosures—along with other ESG progress, as they are a crucial step in

building trust between companies and all key stakeholders. By sharing data externally through human capital reporting, all major stakeholders—from workers, customers, and investors—can better evaluate how the company aims to create long-term value in ways that align with their needs and values. Public disclosures also bring forth enterprise insights and best practices critical to advancing key workforce initiatives that can leave your people and business net better off.

15. Accenture; “Care to Do Better”; September 2020; <https://www.accenture.com/us-en/insights/future-workforce/employee-potential-talent-management-strategy>

A photograph of two business women sitting at a long wooden conference table in a modern office. The woman on the left, with dark curly hair and wearing a light blue button-down shirt, is smiling and looking towards the other woman. She has a laptop open in front of her. The woman on the right, with long brown hair tied back and wearing a black blazer, is looking at the first woman. A white coffee cup sits on the table. Large windows in the background offer a view of a city skyline. The text '04 Muscle' is overlaid on the left side of the image.

04 Muscle

Modern Boards are confident in the management's strength and ability to execute workforce strategies

Powered by data and shared C-suite accountability, Modern Boards **are 3.4X more likely to lead organizations that excel across all workforce capabilities** such as recruiting, learning and development, employee engagement and experience, and talent retention.

These leading boards make active and strategic use of the CHRO, interacting with them individually, and many (86 percent) engage the CHRO to provide actionable feedback at least quarterly. Moreover, the CHRO has an active and strategic voice that helps inform board oversight into transparency metrics beyond areas such as executive compensation.

Expanding board oversight to include workforce strategy is a powerful differentiator. Boards that quickly embrace this, will be best positioned to mitigate risk as well as adverse impacts associated with unexpected crises.

- Rhonda Morris, Vice President and Chief Human Resources Officer at Chevron



05 Makeup

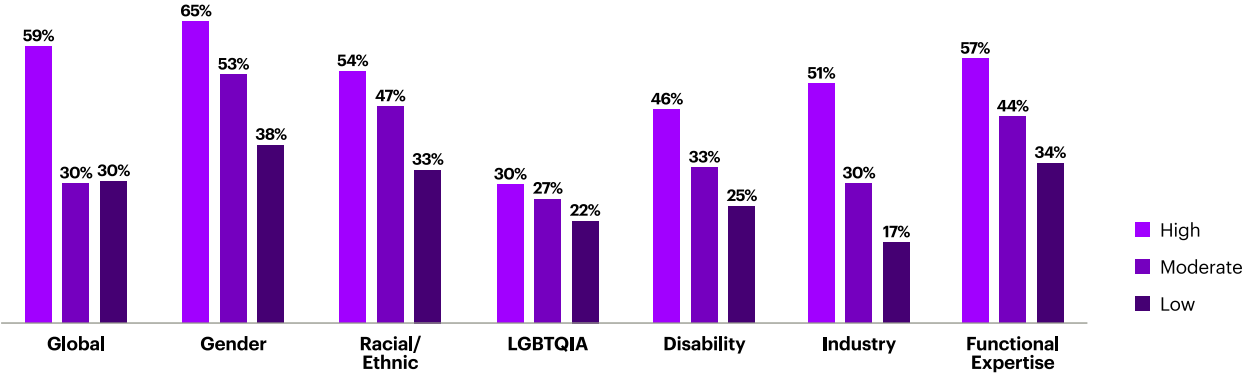
Leading boards are committed
to and reflect diversity

Modern Boards are **1.4X more committed to diversity** in the boardroom. These boards are more global in nature; they have greater industry and functional diversity. They include more women, persons with disabilities, and LGBTQIA individuals, and are more racially and ethnically diverse. Currently, many top companies don't have a single

Black board member. Many barriers still exist, and they continue to prevent diverse individuals from serving boards.¹⁶ This needs to change as many boards in their current composition do not reflect the diversity of the workers they represent and serve—and they do not represent their own customers.

Modern Boards are more diverse than peers

Strongly Agree that Diversity is Represented by Board Involvement



16. <https://hbr.org/2020/08/why-do-boards-have-so-few-black-directors?ab=hero-main-text>

n = 255, Modern Board Survey 2020

Boards have to adapt, whether it's in skillset, whether it's in area focus, whether it has to be a bit more balanced. Historically, it's heavy financial and traditional operators. That has to change.

- President and chief customer officer at a retailer

Five actions to close the workforce strategy gap in the boardroom



There is hope and opportunity for traditional boards to quickly evolve to become Modern Boards with the curiosity, passion and drive to lead their organizations into the future, while managing risk in this uncertain world. Boardroom leaders can begin to make the journey by taking action in critical areas today:

- 01** Understand and accept that **fiduciary responsibility should also include addressing workforce challenges** and strategic objectives such as inclusion and diversity, health and safety, and workforce reduction plans.
- 02** Embed humanity and compassion into fiduciary and risk oversight to solve workforce issues and minimize lost revenue. **If risks are realized, that leads to a loss**

of trust by various stakeholders such as employees, investors and customers. The direct impact on future revenue losses due to trust-based events conservatively totaled US\$180 billion for the 7,000+ companies we analyzed.¹⁷

- 03 Share accountability** for workforce topics with the entire C-suite. Frequent measurement and review will help to improve the effectiveness of workforce capabilities.
- 04** Disclose workforce-related metrics, along with other ESG progress, to **be more transparent** and reveal opportunities for enterprise and ecosystem value creation.¹⁸ Employees and other stakeholders want and value greater transparency. Now is the time to act or get left behind.

- 05** Commit to improving both board and workforce diversity—and execute on those commitments. Shareholders, workers and consumers at large expect to see diversity, so it's time to **deliver on promises** made.

The board—and its oversight—must evolve to keep pace with the new world in which we live. This era marks an opportunity to **do better and enable the business to thrive**, not just survive, in these volatile times. Making improvements to workforce strategy oversight will not only have a positive impact on revenue, performance, innovation and other essential areas—it will position the business to be a leader in the truest sense, showing others how to operate with compassion and purpose in a new world.

17. Accenture; “The Bottom Line on Business Trust: Achieve Competitive Agility”; 2018; https://www.accenture.com/_acnmedia/thought-leadership-assets/pdf/accenture-competitive-agility-index.pdf

18. World Economic Forum: Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation, September 2020; <https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation>

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About the Research

A survey of 268 board of directors spanning public and private companies as well as 11 countries across North America (United States, Canada), Europe (United Kingdom, Spain, France, Germany, Italy) and the Asia Pacific regions (Japan, Singapore, Australia, India). Surveys were collected in June and July of 2020. Each respondent was asked to base their answers on the board that they primarily served on.

Respondents served across the following board committees: Audit Committee (51%), Shareholders Grievance Committees (12%), Compensation Committee (47%), Risk Committee (43%), Nomination Committee (28%), Corporate Governance Committee (49%), Corporate Compliance Committee (22%) and Ethics Committee (18%).

In total, 20 industries were represented in the survey. They included: Banking, Capital Markets, Communications, Media & Technology, Insurance, Consumer Goods & Services, High Tech, Retail, Aerospace & Defense, Energy, Automotive, Chemicals, Health, Industrial Equipment, Life Sciences, Federal Government,

Natural Resource, Public Service, Software and Platforms, Travel and Professional Services.

Public boards made up 52% of respondents, while private boards made up a total of 48%. Private boards consisted of 14% private equity, 0.4% venture capital, and 38% non-private equity or venture capital companies.

In order to determine the differences between Modern Boards (defined as those with high workforce engagement and meeting at least once a quarter to discuss workforce topics) and boards with moderate or low involvement with workforce strategy oversight, we ran several ANOVA analyses. Linear regression analyses were conducted to determine the impact that the characteristics of Modern Boards had on company performance.

In-depth interviews with 22 board members and C-suite executives were conducted during the months of April and May 2020, representing both public and private companies in North America and Europe.