On the board’s agenda | US
The workforce takes center stage: The board’s evolving role

Introduction

As organizations respond to recent events related to COVID-19 and social justice movements, many strategic business, operating, and investment plans for 2020 and beyond have become irrelevant, impracticable, or both. These events have challenged the status quo. As a result, for boards and managements, the ability to lead in highly adaptable and decisive ways is now on the front burner.

After considering the unprecedented challenges of 2020 in the context of preparing the 10th annual report on Human Capital trends, Deloitte released two reports in May 2020: our regular annual report on the top 10 trends for 2020 (The social enterprise at work: Paradox as a path forward) and a special report on the 2020 trends with a focus on the COVID-19 pandemic (Returning to work in the future of work: Embracing purpose, potential, perspective, and possibility during COVID-19). The special report, on the intersection of human capital trends and priorities against the COVID-19 pandemic, is the backdrop of this edition of On the board’s agenda.

As we approach the end of 2020, the realization is sinking in that the COVID-19 pandemic is not a passing storm, something to be waited out before we return to a familiar business rhythm and routine. Rather, the pandemic is a fundamental challenge to strategic planning and a foundational shift in the way organizations operate. How management pivots not only business and technology...
strategies, but also the approach to the future of work, will determine whether the organization can prepare and position itself for future success. This means that adaptability, leadership, and the workforce need to be at the top of the agenda.

The COVID-19 pandemic has been a disruptive wake-up call that organizations need to be prepared to face. While the disruption, and those that follow, may be distinct in its own right, disruptions share critical commonalities: (1) they come without warning; (2) they require a high level of leadership acumen; and (3) their outcomes are heavily dependent upon their impact on and the response from the workforce. As a result of this new reality, the next two years are likely to be a unique period of restructuring for organizations, a time to challenge the status quo and reset the foundation. Organizations have the difficult challenge of rethinking and reframing structures that were traditionally built on scale, efficiency, and predictability to now focus on resiliency for an unknown future on an unknown timeline.

Workforce as a board issue

This period of restructuring provides boards with the opportunity to reflect on their role and how best to position themselves to be effective stewards in the uncertain times ahead. One observation from recent research and client conversations is that managements and boards that leaned heavily into future of work initiatives before and during the pandemic are better prepared to respond to the current challenges.

The pandemic has led to a reprioritization of board activities, expanding beyond the traditional priorities of strategy and succession planning, to include new priorities such as shaping a postcrisis strategy, providing for the health and safety of employees, and understanding the emerging risk dimensions of the crisis.

In June 2020, Deloitte’s Chief Executive Program collaborated with Fortune on the first in a series of three surveys of CEOs. Below are select responses from more than 140 CEOs to the Fortune/Deloitte CEO survey:

- 55% of CEOs have chosen to freeze hiring in response to the crisis, while also taking other workforce actions.
  - Hiring freeze: 55%
  - Laid off/furloughed: 35%
  - Reduced executive or employee pay: 33%
  - Increased workforce: 18%

- 60% of CEOs who agreed that their cash management has been severely affected also laid off or furloughed employees.

- On the bright side, 18% of CEOs increased hiring during the pandemic.

- 6% of CEOs self-reported that they have taken other positive workforce-related actions, such as increased pay, early bonuses, and enhanced benefits and healthcare coverage.

Two out of three CEOs believe that their employees and revenues will return to pre-crisis levels by June 2021.

However, 14% think their employee count will not return to pre-crisis levels in the foreseeable future, potentially indicating an expectation of further job cuts or permanent changes to the business model or operating structure.

Survey results indicate that CEOs see remote work as here to stay—and are looking to build effective infrastructure to support business continuity.

Remote working seen as the new normal
Even after the pandemic eases, CEOs expect more than one third of employees to continue working from home.

Estimated percentage of employees working remotely:

- Pre-crisis level: 13%
- Jun-20: 73%
- Jan-21: 43%
- Jan-22: 36%

Investment priorities for CEOs post pandemic:
- IT infrastructure/platforms: 40%
- Innovation: 36%
- Consumer experience: 35%

The pandemic has introduced unprecedented need for structural and organizational changes, pushing CEOs to reimagine their strategies for the longer term.

- 70% of CEOs prioritize changes in consumer behavior as the most important factor to setting their future direction.

Lasting changes in consumer behavior and methods of customer engagement:
- Technologies or tools that will become part of “business as usual”: 61%
- Sustained performance of new, emerging business models: 45%
Events related to the pandemic and social unrest have also thrust workforce management to the forefront of board agendas. In many cases an afterthought, a lagging consideration to the business and technology strategy, workforce management is now a leading priority, on an equal footing with other key areas of board focus. While still responsible for oversight of the mission, vision, and strategy, the board’s responsibilities are now underpinned by the need to consider workforce management needs, including embracing transparency, anticipating and considering expectations of internal and external stakeholders, and supporting and encouraging resiliency at every level of the organization. To that end, boards need to consider adapting how they oversee management in three key areas:

1. **Mission, vision, and strategy:** Work with management to review whether the mission, vision, and strategy align with the new business and workforce priorities. Are the mission, vision, and strategy being communicated in a transparent manner to the appropriate stakeholders, reflecting not only the ultimate decisions, but the process by which they were made? How is the message being disseminated, and does it reflect the way that today’s workforce communicates? Are we reinforcing the principles of inclusion and openness that are expected from our stakeholders, including employees, customers, suppliers, investors, and the communities being served?

2. **Oversight:** Provide oversight to management as it prepares for and navigates the new normal. Do the actions being taken align with legal, fiscal, operational, technological, and other requirements and, more importantly, the expanded expectations of today’s workforce and other stakeholders? Does the board have the proper information to collect and leverage external perspectives to pressure-test priorities and strategies?

3. **Resilience:** Consider the organization’s ability and agility to respond to disruption. What can be learned from the organization’s response to the COVID-19 pandemic and the social and racial justice movements? What is the organization’s view of its purpose and role in society, including its workforce and environmental and other aspects of sustainability? What workforce and other infrastructures should the organization invest in to be more resilient in the future? What levels of resiliency, and with what measures, can guide investments in workforce management, finance, supply chain, and other areas? Does a plan exist to respond to future disruptions, and are we building the practices and leadership needed to adapt and thrive?

A board’s ability to challenge itself in these areas mirrors its ability to help management reflect and respond to uncertainty, and to better prepare for what may come.

**Embracing purpose, potential, and perspective: Opportunities to support resiliency and adaptability**

With workforce management now front and center, boards have an opportunity and responsibility to challenge the very DNA of the organization. In the 2020 Global Human Capital Trends, Deloitte identified three fundamental attributes that each organization might embrace to thrive in the decade ahead: purpose, potential, and perspective. Understanding these attributes can help boards support management to quickly formulate the organization’s response to the future of work.

Purpose, potential, and perspective provide a framework for the board to exercise its role through periods of uncertainty and reinvention. The board can challenge management to rethink and reframe the status quo with an eye toward building the resiliency needed for an uncertain future.

**Purpose: Embed purpose into every aspect of work every day**

Organizations that harness the complementary strengths of the workforce in the service of a common goal can benefit from diversity to drive higher performance. Organizations can transform individuality into collective value by fostering belonging through a sense of contribution, by supporting worker well-being through the thoughtful design of work, and by formulating workforce strategies based on a nuanced understanding of people’s attitudes and values.

- Are the mission and vision of our organization clearly understood and embraced by the entire workforce, regardless of role or level? How do we promote that understanding?
- Would you consider our organization team-centric? How do we facilitate the creation and sustainment of a team-based work environment?
- Does the way we work promote and support individual physical and mental well-being? How and is it measured?
- To what extent are our workforce programs, specifically those related to recruitment, development, and measurement of our workers, tailored to the individual? In what ways?
Potential: Maximize human capability in a world of machines and technology
An organization that helps its workforce find security through reinvention can gain a competitive advantage by enabling its people to embrace productive change. Organizations have an opportunity to capitalize on change through the integration of artificial intelligence (AI) into workgroups and superteams; through the transformation of knowledge management through technology; and through the cultivation of, and investment in, worker resilience.

• To what extent are our development programs anchored on capabilities versus skills? What do we see as the essential human capabilities required to execute our business strategy moving forward?
• Are we viewed as a leader in talent development by our workforce, as well as the external marketplace?
• Is our organization viewed as a place to build a long career? If so, how do we measure ourselves against that objective?
• How are we leveraging technology in the design of work? Is it a substitution strategy, or are we driving human-machine partnerships?
• What is our strategy for creating and preserving knowledge across the enterprise?

Perspective: Embrace a future orientation to optimize for today and create value for tomorrow
Organizations that view uncertainty as an opportunity rather than a threat can position themselves to take decisive action. Organizations should act boldly to create a future in which all stakeholders can thrive by taking a human-focused approach to compensation, by asking and answering new questions that guide better strategic decisions, and by examining their actions’ ethical implications to maintain their societal license to operate in a more transparent world.

• What measures are we tracking to give us real-time insight on the sentiments of the workforce—both internal and external?
• Is our organization adaptable? To what extent are our workforce and leaders prepared for future disruption?
• To what extent are women and underrepresented minorities in influence roles across the enterprise?
• Do our compensation strategies, including at the executive level, reflect the balance and combination of market/economic value and stakeholder/social values we seek to represent?
• How do we consider ethical implications when introducing new technologies or workforce models? Are we representing and messaging our ethical decisions transparently to our stakeholders?

Embracing these attributes takes symphonic leadership—bringing together executives from across the organization to shift the culture in a sustainable way. But like any good symphony, change of this magnitude requires a conductor at the helm. Human resources (HR) is best positioned to play this role because this shift sits at the intersection of what HR does best: the ability to humanize the organization in support of the ultimate business strategy and goals.

To do so, HR should look to broaden its focus to the entirety of work and the workforce and increase its sphere of influence to the enterprise and business ecosystem overall.

The path forward
The events of recent months have provided a glimpse of the future. These events suggest, if not confirm, that in the new normal, workforce strategy drives business strategy as much as, if not more than, the other way around. As global economies begin opening up and grappling with the short- and long-term implications of 2020 and beyond, boards need to be attuned to the opportunities and challenges facing the organization by focusing on the workforce. Now is a time to reflect, respond, and restructure with a renewed appreciation that, while we live in a technology-centric world, the workforce will hold the ultimate key to resiliency in uncertain times. As organizations “return to work in the future of work,” the oversight of that reality is more important than ever.