

The Board Imperative:
Is your people strategy
human enough?



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Building a better
working world

The employer and employee relationship has shifted. Boards can play a role in continuing to improve it.

In brief

- ▶ The relationship between employers and employees has been shifting for some time and the COVID-19 pandemic consolidated and exposed many of those changes.
- ▶ Organizations know they need to reshape the social contract with employees, but proactively adapting their working practices is proving a challenge for most.
- ▶ Boards can support organizations to listen to a dynamic workforce, tailor the employee experience and prioritize upskilling to maintain a competitive edge.

The social contract governing the relationship between employer and employees has been shifting since before the COVID-19 pandemic. Contributory factors have included rapid advancements in automation, along with the growing importance of commitments to environmental, social and governance (ESG) and diversity, equity and inclusion (DE&I).

The COVID-19 pandemic and its impacts have changed the relationship still further by elevating factors such as organizational purpose and employee well-being. Employees now want to work for socially responsible organizations that share their values, while offering flexibility and tailored opportunities for skills and career development. Unsurprisingly in the current economic climate, they also want a transparent reward and recognition scheme that includes fair pay. [The EY 2022 Work Reimagined Survey](#) found that the opportunity to increase their salary was the top reason why employees would change jobs.

Organizations are recognizing the need to address these changing expectations. An [EY CEO Outlook Survey](#) found that two-thirds of CEOs agree that pandemic-induced working practices are increasingly critical to reducing employee churn and attracting new talent. But the [EY 2022 Work Reimagined Survey](#) revealed that just a third of employers are proactively adapting their approach to those practices – specifically, around flexible work, real estate and technology.

At the [EY Center for Board Matters](#), we wanted to investigate how boards can contribute to reshaping the evolving social contract between employer and employees. For our latest film of the Board Imperative Series, we interviewed a cross-section of people to gather helpful insights into the future of work. In this article, we look at three areas where boards can support their organizations, and suggest some questions they can ask of themselves and their management teams.



Image source

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1. Listen to the voices of a fast-changing workforce.

It's no secret to organizations globally that Gen Z employees are driving many of the fundamental changes in employee expectations. A heightened focus on sustainability might have been "nice to have" for millennials, for example, but it's non-negotiable for Gen Z. "I majored in sustainability because doing something good for the world is part of my purpose," says Sarish Shashidhar, Head of New Product Development at BioPak. "This role encompasses what I studied as well as what I'm passionate about."

What's more, for this cohort, embracing and embedding tech is a way of life. As true digital natives, [Gen Z](#) (link access via ey.com US) are at the forefront of developing the products, customer experiences and ways of working that are transforming life and work for us all. Increasingly influencing everyday life, Gen Z [will make up 27% of the workforce by 2025](#) and employers have a lot riding on them actively contributing to the organization's future success.

As Gen Z will make up 27% of the workforce by 2025, employers have a lot riding on this cohort actively contributing to the organization's future success.

So, how can boards help their organizations tap into this potential? [By working with their chief human resources officer \(CHRO\)](#) or equivalent to build a bridge to younger employees. That means fostering relationships based on listening and two-way communication, together with shared purpose and value. Here are some suggested actions to take:

- ▶ Find ways to engage young professionals – not simply by listening, but by encouraging active participation in decision-making.
- ▶ Build the ability to make choices based on individual values and preferences into the employee value proposition. Emphasize the scope for collaboration, whether face-to-face or virtual, along with the availability of resources to support health and well-being.
- ▶ Challenge the organization to be transparent about its operations, including its ESG and DE&I efforts, and to address any misalignment between commitments and reality.

While CEOs are ultimately responsible for the organizational culture and people strategy, talent transformation is critically important and CEOs and their boards might consider [elevating how the CHRO is supported](#) to drive the necessary changes.

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Sarish Shashidhar
Head of New Product Development, BioPak



2. Tailor the employee experience for long-term success.

Successfully attracting, engaging and retaining talent is about paying attention to the right signals, then acting on them to make change happen.

For boards, this means having a process for tracking external trends and their impact on talent. Inviting external experts, such as behavioral psychologists or anthropologists, to the board is one way to do this.

Collaborating to develop an employee value proposition that meets the needs and wants of a multi-generational workforce is also key. This should reflect diversity in the broadest sense: of choice and opportunity, and the application of skills, as well as demographic diversity and inclusion. As Shyam Gidumal, Board Director at RenaissanceRe, says in our Board Imperative Series film: “Successful organizations are going to adjust to make people feel special, individually, when they come into work.”

Boards can also expand the remit of the compensation committee to reflect the fact that talent is a long-term issue as well as a short-term hurdle. The reality is that in today’s tight labor market, pay is a factor in driving moves. However, a compensation strategy must balance the short-term need to support employees’ financial well-being with the longer-term need to build a brand that attracts top talent.

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Shyam Gidumal

Member, Board of Directors,
RenaissanceRe



3. Challenge management to prioritize upskilling.

The changing talent dynamic is inevitably forcing organizations out of their comfort zones and requiring a swift and proactive response. One of the ways organizations can respond is by recognizing the need to prioritize the ongoing use of technology, and upskilling employees accordingly. Digitization can transform public services, for example, but [EY research](#) shows that just 7% of government organizations have achieved their digital transformation objectives. Meanwhile, 77% say competition for workers with [in-demand technology skills](#) have intensified since the pandemic.

This talent shortage means two-thirds of governments globally are [prioritizing the reskilling of existing staff](#) overhiring externally. And, thanks to recessionary pressures, more CEOs are [focusing on ways to retain talent](#) than are focusing on managing talent costs.

Another way for boards to work with management to retain talent is to consider talent development as a process of progressing individuals along a series of “S-curves,” which is an S-shaped graph that can be used to describe how ideas, products, or in this case, talent, experience rapid growth followed by a leveling out (or saturation). Rather than risk disengaging people when they hit the top of a developmental curve, which would signal mastery of a new job or skill, employers could encourage continuous growth by offering opportunities along a new S-curve. Yet, as the pace of change increases, S-curves are getting shorter, and skills need renewing sooner. Employers have to adapt how their learning functions provide skills and experience in more agile, timely, and interesting ways. Bruna Gil, Channel Sales Manager at LinkedIn, captures this well in our film: “The demand for skills keeps changing. It’s really top of mind for me to keep my team upskilling and developing themselves.”

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Bruna Gil
Manager, Channel Sales,
LinkedIn



To effect change, boards themselves need to change and ask the right questions.

Boards can clearly influence the speed and urgency with which organizations refresh their social contracts with employees. However, to have the biggest possible impact, they will need to challenge and encourage management, and themselves, to apply diversity of thought. In doing so, they will be able to evolve and affect change.

Some of the key questions for boards to consider are as follows.

Key questions for boards to consider

1. How is the board supporting and reflecting the strategic importance of the CHRO role and talent issues through improved talent governance? Has the board considered expanding the remit of existing board committees, or implementing new ones to address shifting employee expectations?
2. As a board member, how do you test whether your view of what new entrants want and need aligns with theirs, or simply reflects your own perspective and bias?
3. How is the organization measuring and making progress on building trust with employees across all generations (for example, through listening posts)? Has the organization adapted how it reflects changing sentiment about loyalty, employee experience and other traditional measures in employment practices?
4. Are there any technology investments and initiatives that your organization would accelerate as it considers the needs and expectations of Gen Z? How is management prioritizing capital allocation for digital transformation in light of demographic trends?
5. What assumptions about future employees are management making as part of their longer-term growth strategy?

Summary

The last few years have brought dramatic shifts in what employees want and expect from their employers. As a result, organizations are aware that they need to reshape the social contract with employees to attract and retain top talent. With the board's support, they can focus on the aspects of the employee experience that will make the biggest difference.

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