

# The Board's Oversight of Employee Voice

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In July 2021, State Street Global Advisors, Russell Reynolds Associates, and the Ford Foundation partnered to study best practices for effective board oversight of racial and ethnic diversity, equity, and inclusion (“[The Board’s Oversight of Racial and Ethnic Diversity, Equity, and Inclusion](#)”). We reconvened in 2022 to research a topic of increasing importance: board oversight of human capital management, with a specific focus on employee voice. We define “employee voice” as the perspectives, interests, and needs of the workforce.

State Street Global Advisors recognizes that there are increasing investment risks and opportunities relating to human capital management, particularly given the state of the labor market and the continued focus on diversity, equity, and inclusion. We believe that if corporate boards gain a better understanding of employee experience through employee voice mechanisms, they will be more effective in their oversight of the firm’s human capital management strategy which we believe drives long term value.

To collect this research, the State Street team partnered with Russell Reynolds Associates, due to their board governance expertise and extensive relationships with corporate directors, as well as the Ford Foundation, whose grantees are increasingly centering worker voice and opportunity as essential for business success and sustainability.

We conducted interviews with public board directors in the US and UK who bring a wide range of boardroom perspectives on employee voice. These conversations informed the development of this paper, the board-employee voice maturity model, and guidance around how to integrate employee voice into board oversight. Our research provides a view on how to strengthen boardroom discussions of human capital management and offers insights into how companies can solicit better insights from the workforce to improve organizational health.

Our hope is that boards will incorporate this guidance into their oversight practices in a way that is tailored to their particular company’s context.

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Our interviews focused on three aspects:

- The impact of employee voice and how board members use it as strategic input for decision making
- Key mechanisms for capturing employee voice and the frequency with which it is leveraged at the board level
- How board oversight of employee voice can be structured

Our research also includes the perspectives of representatives from the Committee on Workers' Capital (CWC) and Focusing Capital on the Long Term Global (FCLTGlobal).<sup>a</sup>



<sup>a</sup>Committee on Workers' Capital is an international labor union network, with over 700 participants from 25 different countries, focused on dialogue and action on the responsible investment of workers capital.

Focusing Capital on the Long Term (FCLTGlobal) is a non-profit organization whose members are leading companies and investors worldwide that develop actionable research and tools to drive long-term value creation for savers and communities.

# Impact of employee voice

Over the last decade, tight labor markets have made proactive and strategic management of human capital a critical lever for many businesses. The global pandemic accelerated this dynamic, while the current economic situation further accentuates it. The US has experienced a surge of interest in union activity, and organizations are also increasingly focused on diversity, equity, and inclusion. In addition, the CWC representative we spoke with noted that addressing foundational workplace issues and proactively engaging with workers can lead to benefits such as reducing systemic risks around equality, productivity, and safety. Given this context, we believe it is increasingly important for companies to have mechanisms for capturing “employee voice,” and that insights from the workforce are incorporated appropriately into board oversight of a firm’s long-term strategy.

We believe that employee voice is an important input for an effective human capital management strategy, and can also advance a firm’s overall long-term business strategy. Employees are among an organization’s most strategic assets. Monica Lozano, a current board member at Apple, Bank of America, and Target, voiced that “investing in human capital is a strategic decision, similar to investments in technology or infrastructure, and employee voice is key to maintaining the organization as a workplace of choice. Employee voice is a mechanism for innovation and customer intelligence.”

Having a pulse on employee voice enables leadership to understand priorities, motivations, and expectations of the workforce, and allows employees to feel heard and included, which can drive a positive culture and increased retention. Employees can generate customer intelligence, share innovative ideas, and offer early warnings of organizational risk. Hannah Grove, a current non-executive director of abrdn plc, and a former senior executive at State Street, underlined this point: “Employee voice cannot be merely thought of as a collection of insights and feedback. Organizations need to understand how employee experience and priorities reflect the company’s culture and fit into talent management strategies, policies, and business performance.”

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“Employee voice cannot be merely thought of as a collection of insights and feedback.”

Our research suggests that, when captured effectively, employee voice can be a critical element for achieving business success. As Dame Carolyn Fairbairn, current board member at HSBC explained: “A powerful model in addressing important employee topics is to ‘get your own business right first,’ then integrate this throughout the value chain, and then campaign the issue on a broader scale. Employee voice is particularly powerful as an inner core of these three circles, creating a symbiotic relationship between the worker, the employer, and the environment.”

A number of board committees in the US have transitioned from Compensation Committees to Human Resources Committees; one director shared how their board deliberately renamed the Compensation Committee to the Compensation and Human Capital Committee, to send the message that there is more than compensation that is important to the workforce. The agenda was adjusted to look at a wide range of components, including benefits, being authentic in the workplace, wellbeing, advancing education, and childcare support.

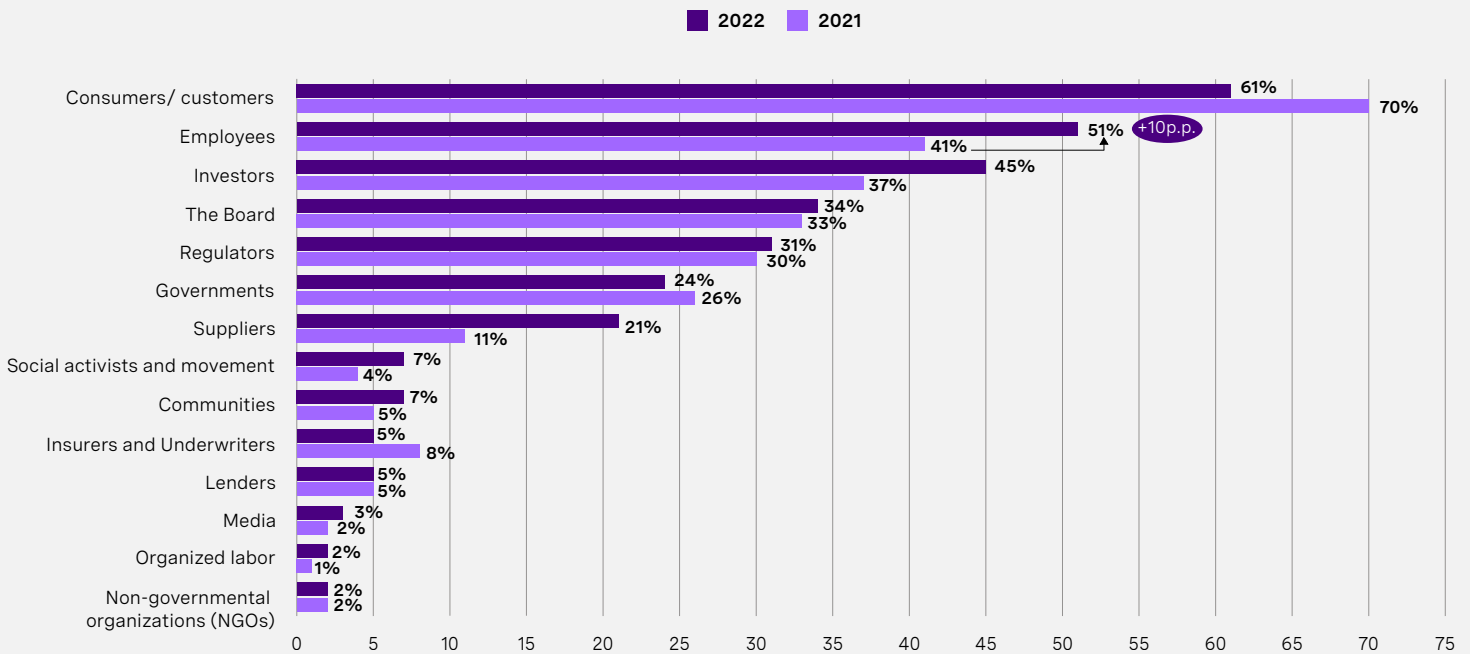
Our data shows that organizations have recognized the importance of employees as stakeholders. In Russell Reynold’s annual [Global Leadership Monitor](#), surveying 1,590 global board directors, CEOs, C-suite leaders, and next generation leaders across industries, more than half (51%) of global executives identified employees as a top three stakeholder, an increase from 41% of global executives in 2021, significantly closing the gap behind consumers/customers. It is to be expected that boards will encounter situations in which stakeholder interests that are not aligned. These are critical moments for boards to exercise judgment on stakeholder management. If the occasion arises in which employee perspectives are voices, but decisions appear to downplay these perspectives, we believe that boards should be prepared to acknowledge and appropriately communicate their reasons.



# Employees are increasingly a top stakeholder group

Employees have increased in importance as a stakeholder group, quickly closing the gap behind consumers/customers

**Top 3 stakeholder groups most impacting organizational strategy over next five years**  
*% of leaders selecting*



Source: Russell Reynolds Associates 2022 Q2 Global Leadership Monitor, n = 1,590 global executives

[See what directors have to say about the increasing impact of employee voice](#)

# Board exposure to employee voice

In order to incorporate employee voice into strategic oversight, boards need to deepen their understanding of the employee experience. Although the majority of directors say they are frequently reviewing data on employee turnover (75%) and engagement (69%), notably fewer (59%) say they have a strong understanding of the day-to-day experience of the employee base, and only 40% have direct exposure to front-line and junior employees. It is important to note that the quality of data on engagement

and key human capital metrics (e.g., frequency of data capture, specificity of measures, degree of robust historical data, response rate) that directors have access to varies widely; one board director emphasized how critical it was for the board to partner effectively with the head of human resources to navigate social and economic uncertainty with an employee-centered perspective. When asked about which functions their board needs more exposure to, directors' number one response was human resources.

51%

of global executives identified employees as a top three stakeholder

40%

of board directors have direct exposure to front-line and junior employees

42%

of board directors said they would benefit from increased exposure to HR

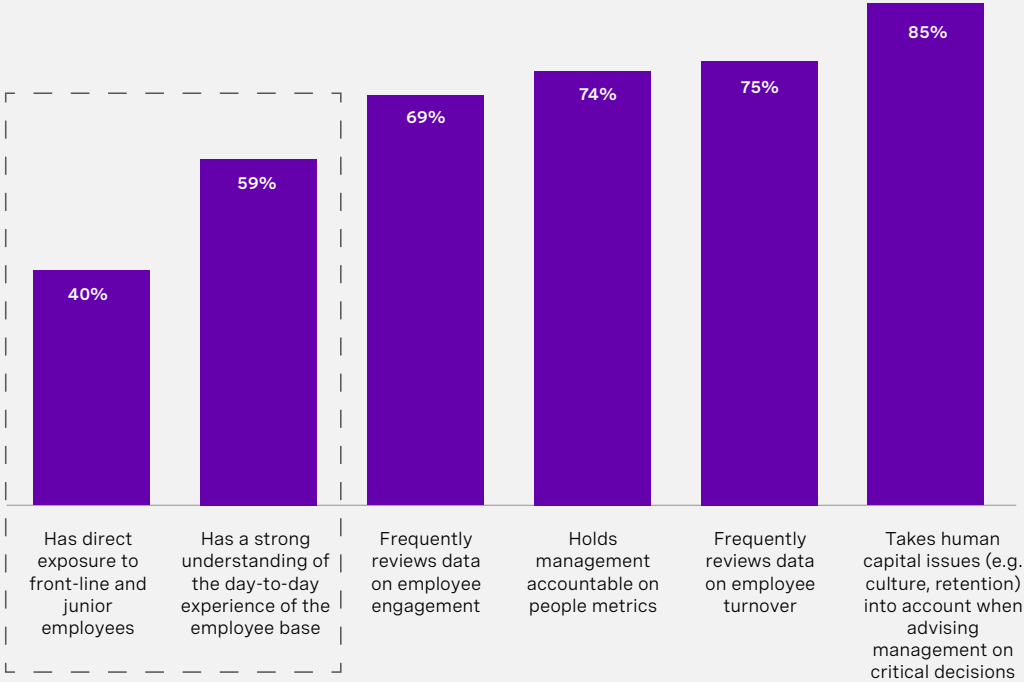
Source: Russell Reynolds Associates 2022 Q2 Global Leadership Monitor, n = 1,590 global executives





# Boards are looking to deepen their understanding of the employee experience

To what extent do you agree with the following statements? The board...  
 % of board directors responding agree or strongly agree

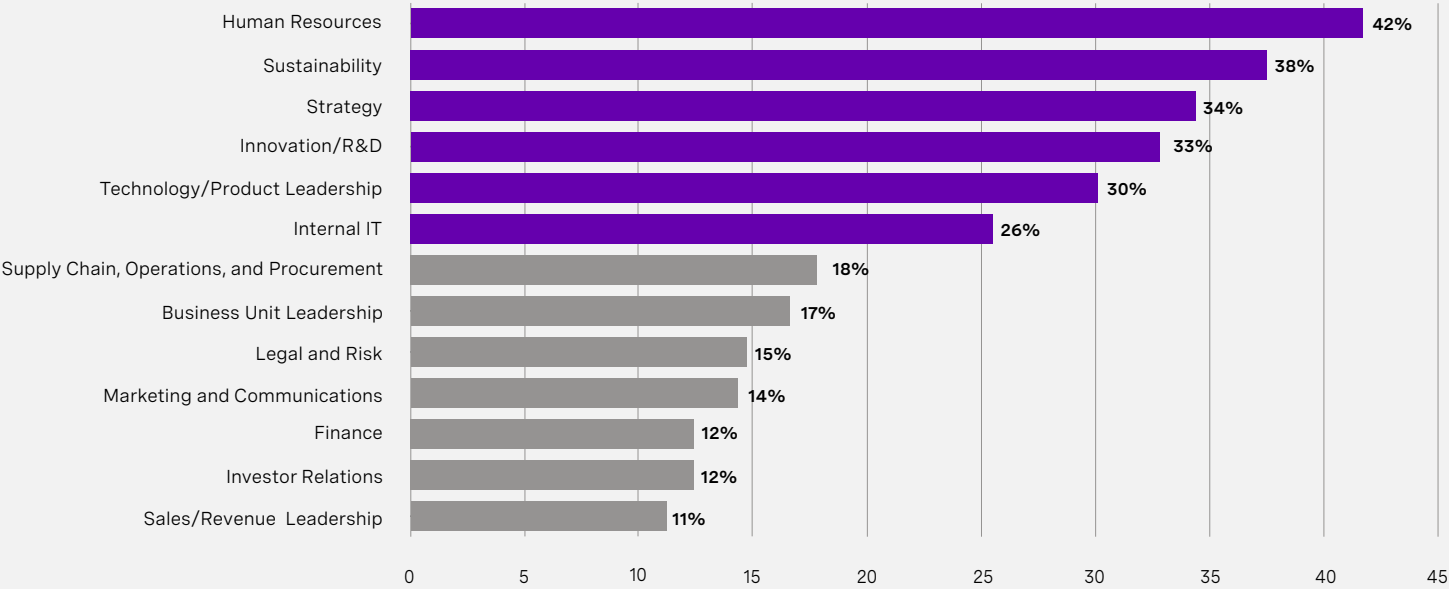


Source: Russell Reynolds Associates 2022 Q2 Global Leadership Monitor, n = 259 global board directors

# Boards are looking for increased exposure to the human resources function

To be effective, does your board's exposure to any of these business and functional areas need to increase moving forward?

% of board directors saying Yes to increased exposure



Source: Russell Reynolds Associates 2022 Q2 Global Leadership Monitor, n = 259 global board directors





# Capturing employee voice

Our survey data makes it clear that many board members lack a depth of visibility into the employee experience. This has been a known issue for some time. In order to overcome this challenge, in 2018, the UK's Financial Reporting Council revised the UK Corporate Governance Code to include regulation that encouraged boards to develop a deeper understanding of employee engagement.

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## [Understand the UK's Corporate Governance Code and learnings from UK boards](#)

Whether employee engagement is regulated or not, it is important for organizations seeking to develop best practices for capturing and acting on employees' perspectives to invest significantly into human capital infrastructure and data collection. Lionel L. Nowell, lead independent director at Bank of America, shared his view on how data is a powerful tool for board oversight of human capital: "In addition to commitment from board and senior leadership, significant investment in data and infrastructure is important in understanding employee engagement and building the right solutions. Without this infrastructure, it is difficult for management and the board to measure success in talent investment." Qualitative assessments, which can be subject to bias and may inadvertently lead to disproportionate attention on issues, are best utilized when complemented with rigorous data.

The directors we interviewed also highlighted the importance of segmentation, as priorities will vary within the workforce. Segmenting survey data and human capital metrics allows boards to zoom in on employees with specific needs and learn from perspectives that may otherwise be overlooked. For example, one director pointed out the importance of not just understanding the priorities of women in the workforce, but going deeper and identifying priorities of working mothers. Many directors

also mentioned the importance of focusing on the unique needs of employees of color, in order to understand how to improve their specific experiences. It is important for boards to contextualize different needs within the workforce in order to oversee targeted initiatives to address employees' pain points.

Boards also need to push beyond surveys and quantitative data to understand employees' experiences. Regular site visits to local units, informal conversations with middle management and frontline employees, and employee presentations are important qualitative data sources. Intangible aspects of the workplace—such as culture, relationships, identity, and values—are best experienced informally in-person. One director shared how conversations with employee resource groups can provide additional context as to why employees of a certain ethnicity or gender responded a certain way in an engagement survey.

By supplementing one data point with the other, leadership had a more holistic view of these employees' experiences. When directors engage in these informal interactions, they are able to draw their own conclusions of organizational health and discern how these qualitative insights supplement the quantitative data.

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[See what directors have to say about effectively capturing employee voice](#)

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[Deep dive into key employee voice mechanisms board directors highlighted](#)

# Board-employee voice maturity model

Previous research has demonstrated a key relationship between human capital management and financial performance, such as return on equity, investment, and profit margins.<sup>4</sup> Effective human capital management strategies can not only mitigate risks related to productivity, reputation, execution of strategy, and operations, but also positively impact corporate performance.<sup>5,6</sup>

Based on insights from the directors interviewed, supplemented by existing research, we have developed a

maturity model that shows the varied sophistication with which boards engage with employee voice. The model considers two elements: the mechanisms through which employee voice is collected and discussed, and the board's mindset or orientation towards employee voice—whether the board principally views it as general talent management hygiene or an indispensable component in understanding and managing organization health. Using our maturity model, we then categorize organizations and their boards into three broad levels: *Reactive*, *Proactive*, and *Integrated*.

## Board-employee voice maturity model



### Reactive

Mindset: Employee voice is a sounding board for talent management hygiene.

- Employee engagement discussed as needed
- **Ad-hoc metrics**



### Proactive

Mindset: Employee voice improves operations and mitigates risk.

- Regular employee engagement survey with pulse surveys
- Annual board discussion on employee engagement and key metrics
- Systematic frontline interactions
- **Focus on HR metrics**



### Integrated

Mindset: Employee voice **elevates organizational health.**

- Organization appropriately pivots strategies based on employee insights
- Employees understand the role of the board and leverages board interactions as needed
- **Integrates people metrics and business/financial metrics to inform decision-making**

# Our Maturity Model Categories

**Reactive:** Boards in the *Reactive* category understand that overseeing employee engagement is necessary, but do not prioritize it. Organizations are reactive to employee sentiments and issues and either do not have well organized employee voice mechanisms, or do not ensure that the information is appropriately analyzed at the board level.

**Proactive:** Boards in the *Proactive* category recognize that employee experience is important to overseeing talent management issues, can be a mechanism to highlight risk and cost implications, and may also serve as a potential source of innovation. Boards in this category regularly interact with human capital data, and their organizations regularly deploy employee sentiment surveys to measure engagement and attitudes. Directors may proactively engage in direct interactions with the workforce to have a personal pulse on employee sentiment.

**Integrated:** Boards in the *Integrated* category are incorporating employee voice into their oversight of business strategies and thus elevating organizational health. Boards in this category are well aware that employee voice is diverse and needs to be systematically captured in order to accurately understand trends and progress over time. Not only do directors hold townhalls, actively engage with employee resource groups and/or participate in walkabouts, they also recognize the importance of inviting employee representatives (individuals who lead employee resource groups, champion specific initiatives, and/or have been unofficially nominated to speak for certain groups) to share their perspectives at board meetings. Boards seeking to elevate organizational health are thus able to interpret human capital metrics alongside business/financial metrics and guide management in adjusting business strategies and operations to align with employee priorities.

The nature of our research focused on directors that are more experienced and engaged on this issue. The majority of directors we interviewed hold seats on boards that we would place within the *Proactive* level of our framework. However, our broader survey data suggests that many organizations still fall within the *Reactive* level. We believe

that those organizations should be taking steps to progress to the *Proactive* level.

The CWC and FCLTGlobal representatives we spoke to both emphasized the importance of incorporating employee voice data into the board's oversight of overall business metrics. The CWC representative underscored the board's responsibility in overseeing the effectiveness of the workforce strategy, including respect for fundamental labor rights, as how an organization manages its workforce is integral to carrying out its business strategy; the two are increasingly co-dependent on each other. Our model also aligns with FCLTGlobal's research on how employees are critical to generating long-term corporate value—results show that companies who “walk the talk” on employee engagement strategies and invest into the employee experience see positive short- and long-term financial results.<sup>7</sup>

Directors we interviewed shared the power of integrating employee priorities within strategic business processes. For example, a director of a consumer company shared how the organization actively monitors business impacts of diversity, equity, and inclusion (DE&I), such as how prioritizing DE&I in its products and services affects revenues and consumer demand. The organization does not merely tout diversity, but has business metrics to demonstrate the importance of incorporating DEI into the firm's overall strategy. Another consumer company director shared how the board holds management accountable to improving the employee experience by using an incentives-linked scorecard. The scorecard tracks financial and operational metrics, with a section dedicated to human capital priorities, such as employee retention, career development, and DEI benchmarks. The senior leadership team is measured on financial, operational, and human capital metrics collectively, and held accountable through the executive compensation plan.

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[See what directors have to say about Integrated board oversight of employee voice](#)

# Guidance for integrating employee voice into board oversight

## Boards can effectively oversee employee voice through the following measures

## Key questions for boards to consider

### Encourage investment and action

The board should take a proactive interest in investments in human capital, overseeing the establishment of an infrastructure that systematically captures and analyzes human capital data, and expect management to take action and prioritize progress.

- How is the organization tracking whether or not human capital management strategies are successful and differentiating?
- What resources are devoted to collecting and analyzing relevant employee voice and employee experience data?

### Investigate the details

The board can encourage management to go beyond the high level aggregated data, to explore how important issues manifest across different segments of the workforce and to understand how qualitative and quantitative data can guide investment and action. The board should not hesitate to bring “positive friction” by asking probing questions to help determine whether the data is surfacing the root cause, or is serving as an indicator of another unidentified issue. In doing so, leadership will have a better understanding of how to develop best practices within the organization.

- What are the top priorities we are hearing from all employees?
- What are issues of importance from specific employee populations?

### Take collective responsibility

Whether employee voice is the domain of a specific director or committee, there is still a collective responsibility for the board to oversee employee engagement, and hold management accountable for relevant progress.

- How should the board engage with employee experience mechanisms, and how often?
- How can management be held accountable for improving the employee experience?

### Center on strategy

The board oversees management’s progress toward its long-term strategy. Directors can help management align the firm’s human capital strategy with the overall business strategy, and help monitor progress toward relevant metrics and targets. The board can help employee voice come to life by integrating ‘people metrics’ and ‘business metrics.’

- How can management effectively communicate the organization’s long-term business, and the role human capital plays in pursuing that strategy to employees?
- How are employee priorities affecting business operations?
- How can management better connect these priorities to manage risk/reward for the organization?

## Acknowledgements

As part of our research, we interviewed 15 public board directors, in addition to leveraging data from Russell Reynolds Associates' Global Leadership Monitor. The majority of the directors we spoke to were happy to have their name included in the research. We would like to express our gratitude to all of the directors that participated for their time and their valuable perspective.

### **Participating directors included:**

- **Dame Sue Bruce**, current board member at SSE plc
- **Chris Carr**, current board member at Hilton
- **Sir Roger Carr**, current board member at BAE Systems plc
- **Dame Carolyn Fairbairn**, current board member at HSBC
- **Hannah Grove**, current non-executive director of abrdrn plc
- **Chris Jones**, current board member at Becton, Dickinson, and Company
- **Monica Lozano**, current board member at Apple, Bank of America, and Target
- **Helge Lund**, current Board Chair at BP plc and current Board Chair at Novo Nordisk A/S
- **Margaret McCarthy**, current board member at Alignment Healthcare, American Electric Power, First American Financial, and Marriott International
- **Lou Miramontes**, current board member at Lithia Motors, Oportun Financial Corporation, and Rite Aid
- **Lionel L. Nowell**, current Lead Independent Director at Bank of America, and current board member at Ecolab and Textron
- **Deanna Oppenheimer**, current Board Chair at Hargreaves Lansdown and Intercontinental Hotels Group, and current board member at Thomson Reuters

We would also like to express our appreciation to Aaron Brenner, Senior Capital Markets Analyst at United Food and Commercial Workers International Union, on behalf of the Global Unions Committee on Worker' Capital, and Allen He, Research Director at FCLTGlobal, for their insights.

## References

<sup>1,2,3</sup> Chris Rees, Patrick Bri ne, "[Workforce Engagement and the UK Corporate Governance Code: A Review of Company Reporting and Practice](#)", Financial Reporting Council, May 2021.

<sup>4</sup> Aaron Bernstein, Larry Beferman, "[The Materiality of Human Capital to Corporate Financial Performance](#)," Investor Responsibility Research Center Institute and Labor and Worklife Program at Harvard Law School, April 23, 2015.

<sup>5</sup> Andrew Donangelo, Francois Gourio, Matthias Kehrig, Miguel Palacios, "[The Cross-section of Labor Leverage and Equity Returns](#)," Journal of Financial Economics, May 2019.

<sup>6</sup> Matthias Regier, Ethan Rouen, "[The Stock Market Valuation of Human Capital Creation](#)," Social Science Research Network (SSRN), October 2, 2020.

<sup>7</sup> Ariel Babcock, Nathan Barrymore, Christopher Bruno, Allen He, Witold Jerzy Henisz, Rachelle Sampson, Xuchong Shao, "[Walking the Talk: Valuing a Multi-Stakeholder Strategy](#)," FCLTGlobal and the ESG Initiative at the Wharton School, University of Pennsylvania, January 17, 2022.

## See what directors have to say about the increasing impact of employee voice:

- “Looking back over several decades, employee voice has evolved across three stages: antagonistic relationships between trade unions and management; a period of growing prosperity for all that enabled a better partnership between management and unions/ the workforce; and now, a focus on being purpose-driven in a more collegiate environment. In the current context, business decisions are evolving and naturally being formed through a cooperative management and a cooperative workforce mindset. There is a greater listening ear in boardrooms/management teams now than ever before.” - *Sir Roger Carr, current board member at BAE Systems plc*
- “Although employee voice has been important since the ‘80s (particularly in the substantial decline of the power of labor unions), recent social and economic trends have made this topic increasingly important, especially for next generation leaders.” - *Chris Jones, current board member at Becton, Dickinson, and Company*
- “Organizations need to foster a feeling of wellbeing for employees in order for employees to be good to the customer.” - *Margaret McCarthy, current board member at Alignment Healthcare, American Electric Power, First American Financial, and Marriott International*
- “Driving satisfaction and engagement amongst employees needs to come first. The quality of the customer experience will never exceed the experience that you create for your employees. In this context, employees are not simply a strategic asset that must be carefully managed, they are a strategic stakeholder.” - *Chris Carr, current board member at Hilton*
- “Regarding the complexity of the landscape, particularly around the blurring of social and political issues, it is important that the employee experience - how it feels to work at a company - is as consistent as possible. It is important to remember that employees are experiencing these issues in a visceral, real, and human way.” - *Hannah Grove, current non-executive director of abrdn plc*
- “In this age of polarization, organizations need to become more refined in understanding employee voice in different parts of the world.” - *Chris Jones, current board member at Becton, Dickinson, and Company*
- “Post COVID, we have seen a big shift of power from companies to employees—it is not just about pay, it is about the choice of employers. Our ability to retain and attract top talent is strongly linked to a clear purpose, strong values and comprehensive employee engagement.” - *Helge Lund, current Board Chair at BP plc and current Board Chair at Novo Nordisk A/S*
- “Companies have done a good job of hearing the voice of their corporate employees; however, in many situations, there is a bigger opportunity and communication gap that exists between HQ and the relationship that companies have with their hourly employees. Traditional corporations need to refresh their governance standards and structures in order to engage with their hourly employee population in a more meaningful way.” - *Chris Carr, current board member at Hilton*

## See what directors have to say about effectively capturing employee voice:

- "Employee surveys and other HR mechanisms are important and necessary, but cannot replace board members engaging directly with employees in an informal setting. It builds trust and helps the board understand better the realities on the ground." - *Helge Lund, current Board Chair at BP plc and current Board Chair at Novo Nordisk A/S*
- "Leadership should give employees an opportunity to weigh in everyday and give feedback on a regular basis. For example, when appropriate, managers should have daily standups with their employees/teams to review the themes of the day. This builds up a comfort level in the culture of receiving and giving critical feedback, important for the employee's growth and for the organization's culture and operations." - *Margaret McCarthy, current board member at Alignment Healthcare, American Electric Power, First American Financial, and Marriott International*
- "The employee survey is a key tool - it has evolved and become more sophisticated over time. A critical metric is the completion rate. Low completion rate indicates that there has been a lack of communication from the organization on next steps, or that employees do not believe the organization will follow up with the feedback." - *Dame Carolyn Fairbairn, current board member at HSBC*
- "Segmentations in surveys are important. It's the middle segment, approximately 80% of the workforce, that you really need to focus on to understand how messaging, perceptions, and viewpoints are landing with the workforce." - *Deanna Oppenheimer, current Board Chair at Hargreaves Lansdown and Intercontinental Hotels Group, and current board member at Thomson Reuters*
- "These sessions had become known as 'listening sessions,' but the phrase elicits a passive connotation from the board perspective. They are now referred to as 'engagement sessions' and reflects that they encourage dynamic participation and active engagement." - *Dame Sue Bruce, current board member at SSE plc*





# Key employee voice mechanisms board directors highlighted

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## Employee sentiment surveys

**What it is:** A questionnaire designed to gather feedback from employees, offer insight into general employee sentiment on key issues, and measure engagement, inclusion, and culture across the organization.

**How it enhances oversight:** By receiving survey data on a regular cadence, boards can assess whether areas of improvement are being addressed and/or identify new employee priorities.

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## Core human capital data

**What it is:** Key input and output metrics on topics including, but not limited to, recruitment (e.g., time to hire, number of open vacancies), workforce composition (e.g., percentage of women by level/role, percentage of people of color by role/level, employment type such as full-time and contract), performance and development (e.g., productivity metrics, training hours completed, absence levels), pay/compensation benchmarks, and retention/turnover.

**How it enhances oversight:** Baseline human capital data serve as a benchmark for boards in contextualizing employee sentiment data, as well as determining trends and understanding the financial impact of different human capital decisions/processes.

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## Employee organizations

**What it is:** Employee resource groups, a collection of employees who share a commonality, traditionally a characteristic that is underrepresented, and/or trade unions, an association of employees across a profession seeking to improve working conditions. These groups are a space for employees to discuss issues and their experiences, and sometimes advocate for change within the organization.

**How it enhances oversight:** These groups can help surface sensitive topics that may not be addressed in surveys or general human capital data. It is important to include the perspective of employee organizations in board oversight, to ensure management is implementing inclusive initiatives for underrepresented employees and appropriately addressing employee priorities.

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## Townhalls

**What it is:** A formal presentation that directors hold with employees to share the board's perspectives on relevant priorities and to answer questions employees may have.

**How it enhances oversight:** Employees have the opportunity to hear directly from the board, and share immediate feedback and/or questions, ensuring that the employee voice process includes a two-way dialogue.

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## Walkabouts

**What it is:** Visits that directors make to offices or facilities (factories, retail stores, hotels, etc.), that are designed to be as informal as possible.

**How it enhances oversight:** Board directors are able to gain an “on-the-ground” understanding of daily operations and the working environment, and connect authentically with employees and frontline management. It also gives employees an opportunity to share issues that they would like the board to pay attention to.

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## “Day-in-the-life-of”

**What it is:** Directors may choose to become an employee in the offices or facilities (factories, retail stores, hotels, etc.), and don the official attire, directly interact with customers, and perform routine tasks.

**How it enhances oversight:** By literally spending the day in an employee’s shoes, directors will have an authentic understanding of the operations, customer service interfaces, and other key processes that employees face. This is an important qualitative data point that can supplement core human capital data.

One retail board director we spoke to shared that directors are given the uniform shirt/vest and name tag whenever they visit a store, so that they too have customer interactions and experience similar as employees.

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## Employee presentations

**What it is:** Formal presentations that employee groups make to the board. These presentations can be arranged by management, as part of the expectations of an employee resource group, or incorporated in off-sites.

**How it enhances oversight:** Encouraging employees to formally interact with the board emphasizes that employee voice mechanisms are a two-way dialogue, and that the board has intentions of being transparent and held accountable for oversight of the issues at hand.

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# Spotlight on the UK's Corporate Governance Code: Learnings from UK boards

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In 2018, the Financial Reporting Council revised Provision 5 of the UK Corporate Governance Code to state:

"For engagement with the workforce, one or a combination of the following methods should be used:

- a director appointed from the workforce;
- a formal workforce advisory panel;
- a designated non-executive director.

If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective."<sup>1</sup>

Since then, companies in the UK have been experimenting with different models and structures of employee engagement. Most (40%) of the FTSE 350 organizations have opted to appoint a designated non-executive director (DNED) to spearhead employee engagement initiatives.<sup>2</sup> Other organizations are sharing the responsibility amongst several or all of the non-executive directors (perhaps assigning regional coverage responsibility), while still others have opted for matrix models that combine representatives from the workforce themselves along with DNEDs. There has also been a trend in establishing new advisory panels, which do not adhere to a uniform standard, as the most effective model depends on the context of the organization.<sup>3</sup> The fluidity built into the Code's provision (i.e., the option or combination of the three suggested models of employee engagement) seems to have been helpful in providing an appropriate level of flexibility.

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“ The designated board director for employee voice should be focused on relationship curation. This means creating an environment that allows leadership to develop a relationship with the broader workforce that empowers and upskills people. – *Dame Sue Bruce, current board member at SSE plc* ”

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“ The board may delegate the topic of employee voice to individual directors, and it is important to have someone squarely responsible for this specific mission, but overall the entire board has collective responsibility. – *Sir Roger Carr, current board member at BAE Systems plc* ”

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We also interviewed a US-based DNED serving on a UK board, who shared how they incorporated different aspects from various models to improve the employee voice process:

- To ensure the board stays informed, the DNED provides a written, quarterly update to the board with aggregated, non-attributed themes and notes, as well as a verbal update at each nominating and governance committee meeting.
- To strategically align employee sentiment with the business, the DNED holds monthly meetings with not only the human resources executive, but also with all business function executives. This underscores the fact that employee voice is a strategic business issue, and not merely “an HR matter.”
- To ensure employee feedback is incorporated into the broader organizational strategy, the DNED also formally presents to the board three times per year, focusing on specific action items for discussion.

## See what directors have to say about board oversight of employee experience:

- "If you start from the premise that people are the most important strategic asset, then it is an imperative for the board to monitor and ensure that the organization is making progress in this area." - *Monica Lozano, current board member at Apple, Bank of America, and Target*
- "You don't have to look too far beyond low employee engagement scores to find risk areas in finances or customer service. If there's a decline in one area - either in human capital or finance - you have to investigate the other area, in order to have a balanced scorecard." - *Deanna Oppenheimer, current Board Chair at Hargreaves Lansdown and Intercontinental Hotels Group, and current board member at Thomson Reuters*
- "The role of the board is to bring "positive friction," and ask tough questions, push, probe, and ensure management has considered the impact of different decisions. This is easier and healthier to do when there is robust data. Embedding data-driven human capital programs within the business strategy creates organizational alignment." - *Lionel L. Nowell, current Lead Independent Director at Bank of America, and current board member at Ecolab and Textron*



## Marketing Communication

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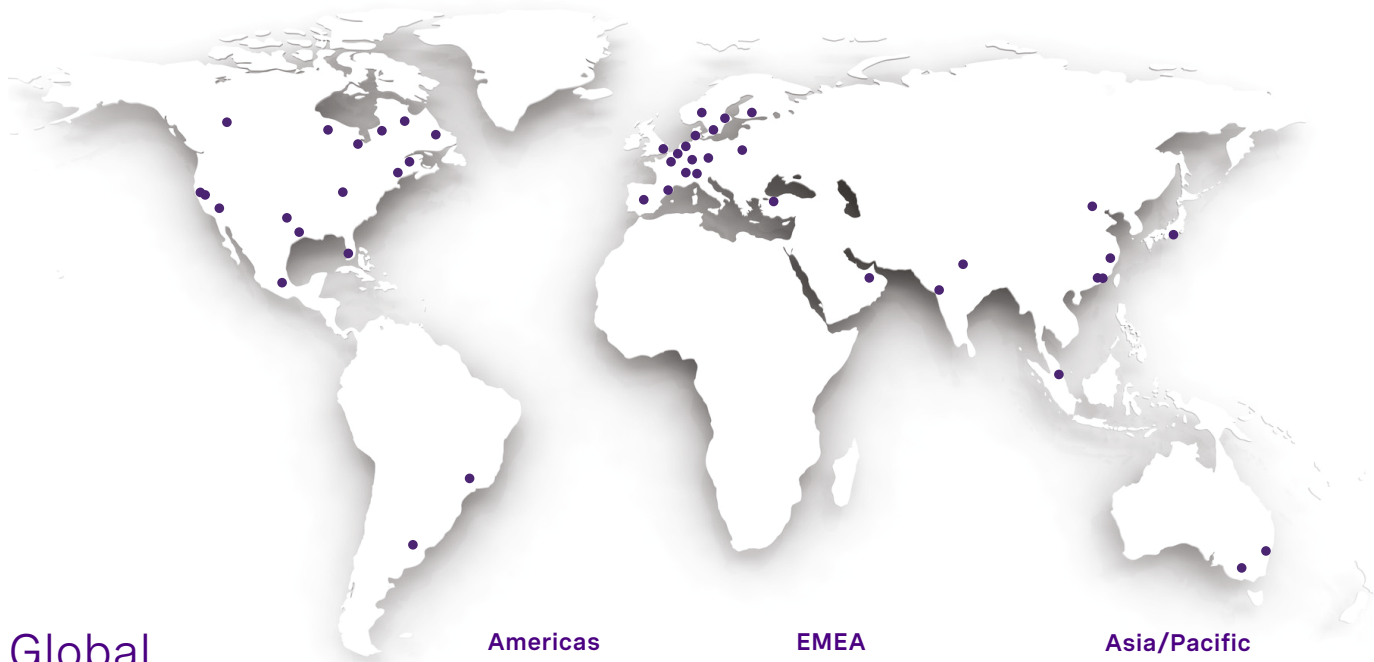
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Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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