New realities for the modern workplace

The workplace of today and the immediate future is unlike any before. The pandemic revealed profound changes in the success of virtual work and expectations around productivity. Companies are also grappling with pressure to ramp up their diversity, equity, and inclusion (DEI) initiatives, aspects of which have come into relief as remote work has affected workforce segments and demographic groups inconsistently. Most companies are still in the early stages of measuring and rewarding successful DEI efforts.

On June 21, 2021, compensation chairs met with Michael Bramnick, senior vice president–corporate affairs, chief of staff, and chief compliance officer at NRG Energy, and Sonya Sepahban, CEO of OurOffice and member of the board of directors at Cooper Standard.[1]

The following themes emerged:

- **Companies are assessing workplace models for the postpandemic future.** Many employees are clamoring for virtual or hybrid work models, but questions remain about the impact on productivity. Companies continue to tweak their work models as conditions allow for offices and other locations to resume operations at or close to full capacity. Ms. Sepahban encouraged companies to be transparent about their policies and to maintain consistent messaging: *"You can't bait and switch. If you're not fully invested in hybrid work or simply not sure yet, don't say you are, and then tell everyone at a later time to come back full-time to work locations."* Managers at all levels will play a key role in the success of new work models; training managers on new and different approaches can improve outcomes. One compensation chair said, *"My company established principles to guide managers in each location. We recognized that it's up to managers to interpret and apply those principles."*
- **A tight labor market empowers employees to ask more of their employers.** Competitive skills and the mobility that comes with hybrid and remote work options are creating a power shift in employees' favor. The talent flight risk is real. The current emphasis on DEI initiatives is just one example of employees using their voice to shape corporate actions. Ms. Sepahban said, *"Right now, companies almost have to follow the employees' lead. Their skills will determine a company's success or failure, and people with those skills are a scarce commodity. Companies need to implement ways to gain better insights into the voice of their employees."* Success in this area requires a lot of listening, followed by actions that are narrowly tailored to employees' interests. *"Blanket plans are problematic. This is an incredible opportunity to exercise equity and ask for people's preferences and*

needs. Equity is about flexibility, not one solution for everyone," Ms. Sepahban said. A company's industry and size are important considerations. One member mentioned a company that is crafting plans to deal with fatigue and burnout caused by prolonged remote work; another discussed a company that is focused on the steps necessary to allow certain workers to work from home permanently. Mr. Bramnick said that NRG listened carefully to employees' preferences for harmonizing work life and personal life. *"People have children at home and might be unavailable for short periods during the workday, so they don't want to feel chained to their desks. We focused on rules to address that. Our approach was to run the business while creating mutual respect between management and employees."* Flexibility can present complications, however. One member noted that many workers have moved cities during the pandemic, which raises questions about whether companies are meeting their regulatory requirements.

- **Greater expectations for DEI offer opportunities and raise questions.** Stakeholders are placing greater pressure on companies to implement actionable DEI plans. Companies are working to keep pace with these demands. Ms. Sepahban said, *"It is important for companies to understand that society and expectations have shifted significantly and moved faster than most institutions can keep up*." She encouraged board members to look beyond diversity training and coaching to more fundamental steps to improve performance. Companies are assessing strategies to embed inclusion in company programs, policies, and practices. Mr. Bramnick said that NRG's diversity and inclusion journey continues today. The company elevated diversity and inclusion to a company value in 2019, then formed a CEO-led committee of executives and high-potential employees in 2020 to lead the acute focus on DEI initiatives. NRG's early concrete steps included expanding business resource and affinity groups, changing job codes to better reflect necessary education requirements, and removing gender pronouns from all company policies. Ms. Sepahban said that integrating DEI into business strategy is critical: *"Link business objectives to DEI in a way that lets people see the connection. Then communicate the objectives broadly to help align actions as they try to do good things."* While companies are taking immediate action on DEI, they also have realistic expectations about the pace of progress. *"It's a long-term journey, but you need specific interim time frames. Three-to-five-year goals can be okay, but we like to focus on one-year goals. It works well to update your goals every 12 months,"* Ms. Sepahban said.
- **Measuring DEI performance and linking it to compensation remains a challenge.** Linking DEI to compensation is still a relatively infrequent practice. It is too early for most companies to determine which metrics best reflect progress against DEI goals, but employee demographics and data from hiring, promotions, and retention are all useful sources. Industry and geographic benchmarking can also be helpful, but with DEI, the stakes and outlook may require a new approach. One compensation chair said, *"If you benchmark DEI against your industry, you're not necessarily aiming high enough. Identify*

the companies that are doing it right and hold them up as the standard." Meridian Compensation Partners' Annette Leckie reported that pay for DEI performance remains in the early stages of development at most companies. *"Companies are striving to find their own DEI terms. For companies using DEI metrics in pay plans, it's mostly in the annual bonus plan and through a qualitative assessment. Some companies have taken a first step with a 10–20% weighted measure, but many are not disclosing their goals yet. To date, the metrics that companies are using are focused more on representation than inclusion."* Members said that executives want to be measured on, and compensated for, their DEI performance. One said, *"The resistance to measurement is gone; nobody is saying that we can't measure DEI anymore. If I were an executive, I'd want measurement to be paid on. Companies are starting to figure this out."* Ms. Leckie expects that it will take time to integrate DEI into long-term executive pay plans: *"We're seeing baby steps. Long-term goals need hard-and-fast numbers and goal setting is a challenge. I wouldn't expect wholesale change next year or the following. Maybe in five years we'll see greater movement in long-term incentives."*

- **Directors want boards to drive DEI initiatives and results.** Several members emphasized that directors must set DEI expectations, prioritize them at the board level, and demand results. To start, diversity in the C-suite helps set a tone of inclusion for the entire organization. One member discussed the benefits of a Black senior executive opening up to employees about his experience: *"It created a culture of openness and inclusion among employees. People are still fearful of speaking about diversity. Having an emotional connection on these issues matters."* Diversity on the board is important, too. *"It's incumbent upon us to stand up and say that we want board diversity,"* a member said. Members discussed how board diversity can encourage diversity throughout an organization, and they expressed frustration with the unsupported belief that qualified minority director candidates are in short supply. One said, *"There are plenty of great diverse candidates out there."* Another likened the current situation to the one boards have faced in recent years regarding gender diversity: *"We've been through this from a board culture perspective. I remember when the conversation was about getting more women on boards."*

Appendix: Meeting participants

- Homaira Akbari, Temenos
- Gaurdie Banister, Tyson Foods
- Jevin Eagle, Carter's
- Tony Earley, Ford Motor Company
- Lisa Gersh, Hasbro
- Mirian Graddick-Weir, Booking Holdings
- Marianne Harris, Sun Life Financial
- Kathy Hill, Moody's
- Worthing Jackman, Quanta Services
- Annette Leckie, Meridian Compensation Partners
- Karen Maidment, TD Bank Group
- Denise Morrison, Visa
- Meg Porfido, Kaiser Permanente
- Barb Samardzich, Adient
- Amanda Sourry, PVH

Endnote

[1] *Summary of Themes* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments made before and during meetings are not attributed to individuals or corporations. Guests and Ms. Leckie have given permission for their remarks to be attributed. Comments by guests and network members are shown in italics.