

HRACUITY®

# Employee Risk is Rising. Most Boards *Aren't Ready.*

An Executive Leader's Guide to Employee Risk Intelligence



# The Most *Underutilized* Early-Warning System

*Employee relations data may be the most underutilized early-warning system for employee risk.*

In boardrooms across the globe, directors consistently rank employee risk among their top risks. Yet compared with financial or cyber exposure, boards often lack structured visibility into workforce signals.

Financial risks have audits. Cyber risks have heatmaps. Employee relations has what many experience as a “68% blind spot.”

**68%** of organizations fail to track case complexity and volume

**\$700M** recovered by EEOC for workers in FY2024, the highest amount in recent history

**+9%** year-over-year increase in EEOC discrimination charges — 88,531 filed in FY2024

**Nearly two-thirds** of organizations fail to track the complexity and volume of issues per case, signaling a visibility gap in a material area of enterprise risk, according to [HR Acuity's Ninth Annual Employee Relations Benchmark Study](#).



## Where's the *Data?*

*Consider this example of technical activity that appears routine in a cybersecurity dashboard but takes on entirely different significance when viewed alongside employee relations data:*

A Security Operations Center (SOC) might flag a user downloading 10GB of data as a low-priority event because the technical activity appears routine. Meanwhile, HR may know that the same employee is currently on a Performance Improvement Plan and **experiencing significant workplace conflict**.

Without the HR signal, the activity appears routine. With it, the same behavior may suggest insider risk. Yet these systems rarely operate within a shared risk framework. As a result, exposure can accumulate quietly even when the underlying information already exists within the organization.

Many enterprises **lack the employee relations infrastructure** needed to capture the signals that would allow them to differentiate between routine activity and emerging insider risk.

## The Stakes are Getting Higher

Recent developments have significantly raised the stakes. [Delaware court rulings in 2023](#) reinforced that corporate officers may be held personally liable for failures of oversight related to workplace conduct. At the same time, the EEOC [secured nearly \\$700 million](#) in monetary recoveries in FY2024, reflecting both increased enforcement and rising complaint volumes.



**The implication for boards is significant:** Workplace conduct and culture are no longer purely operational concerns. They are governance risks.

# Human Capital Risk Awareness is Growing. But Infrastructure Is *Lagging*.

Despite growing awareness of human capital risk, many organizations still lack the infrastructure required to measure and govern it effectively. In most audit committee meetings today, directors encounter structured frameworks for nearly every major enterprise exposure:

<p><b>Financial Risk</b></p> <p>Governed by <a href="#">GAAP standards</a> and formal audit structures</p>	<p><b>Cyber Risk</b></p> <p>Governed by <a href="#">NIST frameworks</a> and real-time monitoring tools</p>	<p><b>Employee Risk</b></p> <p>Reported through narrative updates and culture indicators</p>
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Boards increasingly recognize the strategic importance of workforce dynamics. However, compared with finance or cybersecurity, many organizations are still developing the systems and metrics required to translate workforce issues into consistent, board-level risk reporting.

Risk Type	Governance Framework	Board Reporting	Maturity
Financial	GAAP / Formal Audit	Structured Dashboards	✓ Mature
Cyber	NIST / SIEM Platforms	Live threat heatmaps	✓ Mature
Employee	No formal standard	Narrative updates only	× Lagging

## Why Does This Happen?

Traditional HR reporting often focuses on workforce health indicators such as engagement, attrition and diversity metrics. However, they do not function as forward-looking risk intelligence in the way boards are accustomed to seeing in areas such as financial reporting or cybersecurity monitoring.

**The result is a visibility gap:** Organizations may track workforce sentiment and demographics effectively, yet still lack the tools needed to detect emerging behavioral or cultural risks before they escalate.

# Without the Right Tools, Workforce Risk Stays *Invisible*

*In many organizations, the limitation is structural rather than strategic.*

Modern [HR case management](#) and employee relations platforms can help close this gap by standardizing how concerns are documented, investigated and analyzed. When implemented effectively, these systems allow organizations to translate workforce dynamics into clearer governance insights.

Without that infrastructure, **employee relations data remains fragmented**, leaving organizations without a single source of truth for workforce risk signals.



## “I Didn’t Know” Is No Longer an Acceptable Defense

The distance between board oversight and employee relations has narrowed significantly.

Courts, regulators and shareholders now expect senior leaders to demonstrate active oversight of workplace conduct. The [2023 Delaware Court decision](#) reinforced that corporate officers may be held **personally accountable** for oversight failures.

Anecdotal updates are unlikely to meet modern oversight expectations. Organizations need a defensible, consistent process for capturing, investigating and resolving concerns.

The implications for governance are significant:

- **Visibility creates responsibility:** Oversight expectations apply even when leaders lack structured visibility into workforce issues.
- **Consistency matters:** Boards increasingly require structured insight into workforce risk, just as they do for financial and cyber risk.
- **Documentation is critical:** Organizations must demonstrate that concerns are heard, investigated and addressed consistently.

# Misconduct as an Off-Balance-Sheet *Liability*

In financial reporting, an “off-balance-sheet liability” refers to obligations that are not immediately visible but still carry potential cost. In many organizations, poorly tracked or inconsistently documented employee relations issues function in a similar way. That can lead to a range of outcomes, including:

## Litigation and legal defense costs:

\$125,000+ before trial and reach \$250,000+ in more complex cases, according to [Nakse Law Firm](#).

## Regulatory penalties:

Such as the \$700M recovered by the [EEOC for workers](#) in FY2024, the highest amount in recent history.

## Executive turnover following governance crises:

9% of forced [CEO departures](#) were due to ethical lapses (fraud, bribery, misconduct).

## Reputational damage:

Reduces company share prices by an average of ~35% after major corporate crises, according to [Accounting Times](#).

## Productivity losses:

Resulting from a lack of employee engagement, costing organizations \$8.8 trillion, or 9% of the global GDP, according to [Gallup](#).

## Attrition of high-performing employees:

Replacing an employee typically costs 50% - 200% of annual salary, according to [SHRM](#).

In 2025, employers [paid \\$528 million](#) through pre-litigation mediation, conciliation and settlements: **The highest pre-litigation recovery in EEOC history.** Structured case management, consistent investigation protocols and early intervention act as insurance against avoidable legal, financial and reputational harm.

## Culture as a *Control* System

*Culture sets the tone for behavior, decision-making and accountability at every level. From a governance perspective, however, culture functions as an internal control.*

When employees feel safe reporting concerns, they act as an early detection system for organizational risk. When they do not, important signals remain hidden until issues escalate. Behavioral risks frequently precede the high-profile incidents that create significant organizational disruption. Examples include:

### Behavioral Red Flags

Persistent conflict, bullying or ethical concerns can precede larger misconduct events.

### Data Security Concerns

A conflicted employee who begins accessing large volumes of data may represent risk that tech systems alone can't interpret.

### Retaliation Claims

Perceived inconsistency or bias in investigations can escalate workplace issues into costly litigation and reputational damage.

## Building a Speak-Up Culture as an Early Warning System

A credible speak-up culture is an important component. When employees have safe, trusted and anonymous trusted channels to report concerns, the organization gains earlier visibility into emerging issues. Trust in the reporting process directly affects reporting behavior.

Organizations that implement structured case management tools and transparent processes often see reporting rates increase by as much as 21 percent. Importantly, increased reporting does not necessarily indicate more problems. Instead, it reflects improved visibility into issues that might otherwise remain hidden.



## Consistency as a *Governance* Tool

*Consistency in how employee relations cases are documented, investigated and resolved is critical for both fairness and defensibility.*

Standardized processes reduce variability in decision-making and help ensure that policies are applied consistently across teams, geographies and leadership levels. This matters if your case ends up in court.

Modern HR case management systems support this consistency by creating structured workflows for documenting concerns, conducting investigations and maintaining defensible records.

By reducing ambiguity and strengthening documentation, organizations improve both **employee confidence** in the process and **leadership's ability** to demonstrate responsible oversight.



## Employee Relations as an Organizational Intelligence Function

When employee relations data is structured and analyzed effectively, it becomes a valuable source of organizational insight. Patterns across cases can reveal emerging risks, hotspots and systemic issues that may not be visible through traditional HR metrics.

When viewed through this lens, employee relations becomes part of the organization's broader risk intelligence system — providing early indicators that allow leadership to intervene and prevent issues before they escalate into legal exposure.

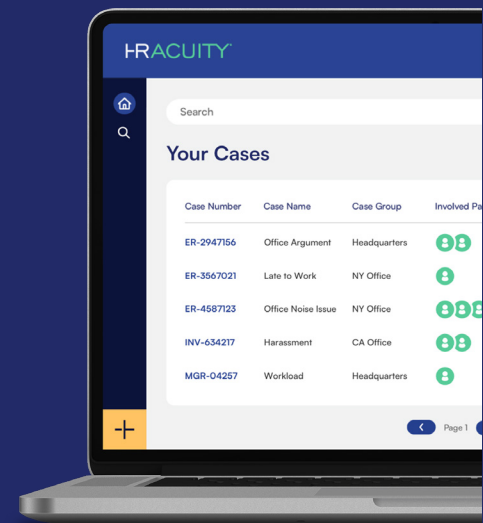
# The Signal Boards Can No Longer *Ignore*

Organizations that apply the same rigor to employee risk as they do to financial or cyber risk gain clearer insight into one of the most significant drivers of enterprise value.

**The opportunity now** is to elevate employee relations from a back-office function to a structured source of risk intelligence for executive leadership and boards.

Organizations seeking to operationalize employee relations as a risk intelligence function require infrastructure that can capture concerns, ensure consistent investigations and surface patterns across the enterprise.

**HR Acuity provides the purpose-built case management and analytics platform** designed specifically for employee relations and workplace investigations. By centralizing documentation, standardizing processes and transforming case data into actionable insights, organizations gain the visibility needed to govern human capital risk more effectively.



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**RANKED 4.6 / 5 ON G2**



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