



Refocusing on culture and employee engagement

KPMG Board Leadership Centre



The prolonged strains on companies and their employees from the impact of COVID-19 on how and where people work, and ongoing social unrest, have put even the sturdiest of corporate cultures to the test. Understanding how these stressors have impacted culture and employee engagement, and how culture and engagement will be sustained in a post-pandemic operating environment, are moving to the forefront of boardroom agendas.

Corporate culture has been on the radar throughout the pandemic: Over half of CEOs surveyed in the [2021 KPMG UK CEO Outlook](#) indicated that they were transforming key aspects of their workplace and service delivery, with 61 percent stating they will build upon their digital collaboration and communication tools. In light of heightened awareness of workforce stress and societal issues during the pandemic, 50 percent of companies are planning to increase HR resources to help manage employee wellbeing and mental health. In another KPMG poll¹, a majority of executives identified culture as one of the most important factors impacting their ability to successfully “re-emerge or restart” their businesses following COVID-19. Yet, other research suggests that efforts around corporate culture and keeping employees engaged may be coming up short.

According to a US survey by Prudential Financial², a quarter of workers plan to seek employment with a different employer once the pandemic has subsided due to concerns about their career growth (80 percent) rethinking their skill sets because of the pandemic (72 percent), and a desire to work remotely (34 percent). And nearly half of the workers planning to switch jobs ranked their current employers efforts to maintain culture during the pandemic as “C or lower”.

Looking at the big picture

In light of ongoing pressures on workers and the new environment, boards should be redoubling their focus on how the company’s culture and employee engagement are being fostered, monitored and measured to align with the company’s values and strategy.

Boards should consider asking the following questions:

In response to the new reality

- How is management planning for the return to work? Is the company thinking holistically about the workplace, workforce and corporate culture?
- Given the changes in the work environment over the past year and going forward, what new methods are being used to monitor culture and workforce engagement – especially for remote workers? What new metrics are being tracked? Where are the board and management still lacking visibility?
- Have benchmarks for culture and engagement been revisited in light of changes to the work environment and societal expectations of companies?
- Do the methods used to identify signs of an unhealthy culture need to be modified to be effective under the new working conditions (e.g., a more remote workforce)?
- What changes have been made to the employee onboarding process, and other key milestones across the work experience – for both those on site and those working remotely?
- What feedback has been received from employee exit interviews about the current culture and employee engagement?
- How has remote work and/or social distancing impacted the cohesion within teams and communication among departments? What actions are being taken to respond to these impacts?

¹ Claudia Saran, [Culture: An organizational antidote for COVID-19](#), KPMG LLP

² Prudential Financial, Inc., Pulse of the American Worker Survey: Fact Survey, March 2021

- What lessons have been learned from how employees rated leadership on communication during the crisis? What channels are available for employees to communicate with/give feedback to leadership?

Ongoing considerations

- When were the company's mission and vision statements last updated? How frequently does management communicate them to the workforce?
- Has the company established a vision for an ideal corporate culture and set measurable goals for employee engagement levels?
- Is there alignment between the desired culture and engagement levels and the organisations strategy?
- Beyond employee engagement, how is cultural health, both within subgroups (e.g., division, region, management level) and across the organisation measured over time?
- What feedback has management received from underrepresented groups about inclusivity and how is it impacting employee engagement? Are any changes to company policies and benefits being considered in light of that input? How will related goals be incorporated into an overall strategy?

Considering the data and digging deeper

Employee survey data, as a primary gauge of corporate culture and employee engagement, continues to be a critical source of insight for management and for the board. But the importance of getting behind the numbers, through anonymous verbatims and commentary, can't be overstated, and boards should be pushing management to go beyond the survey and dig deeper to understand the true picture on the ground.

A 'culture dashboard',³ including internal and external metrics, can also be a valuable tool for understanding cultural health, and flagging areas that may require a deeper dive. Dashboard data that may be particularly helpful to boardroom and committee discussion – with comparisons by employee group and trends over time – include:

- Leading indicators, such as recognition metrics (frequency), participation in culture and diversity and networks, and leadership check-ins
- Indicators of 'burnout' or fatigue, such as utilisation of PTO, work hours, and medical leave requests
- Absenteeism rates
- Turnover rates (voluntary and involuntary)
- Exit interview summaries for a subset of employees that is representative of the workforce

- Number and type of helpline complaints, including discrimination claims, summaries of key issues raised, how complaints were resolved; the absence of complaints can also be a red flag
- Number of employee reprimands due to behaviour inconsistent with corporate culture
- Number of hours employees spend on training and development each quarter/year, and corresponding results on the impact on employee behaviour and performance
- Breakdown of employees by diversity of gender, race/ethnicity, socioeconomic background, and sexual orientation (should employees choose to self-identify)
- Compensation levels by gender, race/ethnicity, socioeconomic background, and sexual orientation (should employees choose to self-identify)
- Results from annual employee engagement, culture and other pulse surveys taken periodically through the year (and actions taken by management as a result)
- Trends and summaries of reviews/commentary from current or former employees on third party websites.

Importantly, does the board measure the actions of management? Does management communicate survey results and take action to drive measurable change?

The board should balance the information received in the culture dashboard with independent sources and should follow up with management on any inconsistencies.

Understanding the realities of diverse groups

Diverse employees – including women, LGBTQ+ employees, and people of colour – have reported a higher negative impact on their connectivity and belonging in the workplace during the pandemic.⁴ To be cognisant of the differences among employees, the board should encourage management to solicit frequent feedback from employees. Feedback can be taken from pulse surveys to gauge their engagement, exploring factors such as their overall well-being, job satisfaction, connection with the organisations mission, and level of (and satisfaction with) communication with colleagues and leadership. The board should review this disaggregated data, such as by age, gender, race/ethnicity, socioeconomic background, sexual orientation, caregiver status, geographic region, management level and job function, to identify which groups may be struggling. This may require asking employees to voluntarily self-identify their demographic information to complement existing data the company already has.

³ NACD, Report for the NACD Blue Ribbon Commission on Culture as a Corporate Asset, 2017

⁴ Kweilin Ellingrud et al., Diverse employees are struggling the most during COVID-19 - here's how companies can respond, McKinsey & Company, November 17, 2020

Revisiting board processes

While management is responsible for setting the company's culture and ensuring employees feel engaged with their work and workplace, the board should prioritise these areas especially in the post-COVID-19 environment, by:

- Monitoring the alignment of the corporation's purpose, values, and culture with strategy
- Modelling the desired corporate culture
- Including a discussion of corporate culture and employee engagement as a standing item on the boards agenda
- Holding senior management accountable for goals and outcome through appropriately targeted metrics
- Helping to identify and nurture future leaders who are committed to advancing strong corporate culture

The UK Corporate Governance Code (the Code) promotes board engagement with the workforce, but safety protocols and the prevalence of remote work have made it more difficult for directors to gain first-hand exposure to employees and operations at every level of the organisation. Virtual and remote alternatives for directors might include:

- Participating in virtual town halls or fire-side chats
- Participating in virtual one-on-one or small-group chats where directors ask employees more probing questions, providing them with an opportunity to give direct feedback.

- Speaking at employee network events, and receiving questions/feedback from members about the company's attention to their needs
- Setting up a 'shadow board' made up of employees to share worker views and concerns⁵

Focusing the board on HCM

As the board refocuses on corporate culture and employee engagement, board leaders should consider whether their processes, committee structure and composition enable the right focus and understanding of these issues. Have any formal workforce advisory panels proved effective? If there is a [designated non-executive director](#), have they engaged successfully with the workforce? Is it time to consider a [director appointed from the workforce](#)?

To that end, remuneration committees are widening their aperture to encompass human capital management (HCM) more broadly – Indeed, compliance with the Code now requires that remuneration committees review workforce remuneration and related policies and the alignment of incentives and rewards with culture.

Additionally, some boards have added directors with human resources expertise. Research from the KPMG Board Leadership Centre indicates that of 169 former CHROs serving on 198 boards of the Russell 3000 companies in 2019, roughly half were added within the previous three years.⁶ This practice may continue to grow, given the experience CHROs have in cultivating a strong culture and asking the right questions to help identify concerns related to employee satisfaction.

⁵ KPMG BLC, [Bringing employee perspectives into the boardroom](#), August 2020

⁶ Preliminary findings from a KPMG study of 169 current and former senior human resources executives (e.g., CHRO, VP Human Resources) serving on 198 Russell 3000 boards in 2019

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