KPMG

What workers want

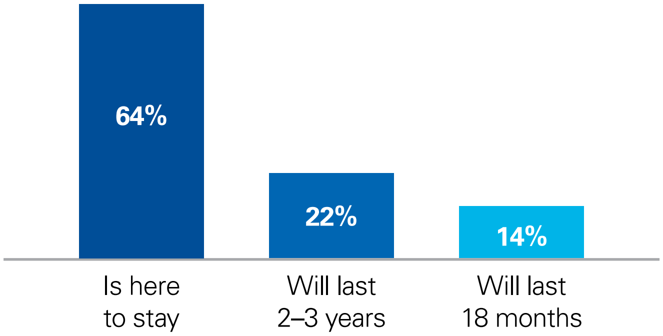
Understanding the new employee/employer dynamic

Most companies have long said that their workers are their most valuable asset. Now employees and investors are asking them to prove it. Today, oversight of talent and human capital issues are front and center for corporate boards, according to panelists speaking during a June 16 panel discussion hosted by the KPMG Board Leadership Center (BLC) and moderated by BLC Senior Advisor Stephen L. Brown.

Brown was joined by Cali Williams Yost, CEO and founder of Flex+Strategy Group; Todd Jick, the Reuben Mark Faculty Director of Organizational Character and Leadership at Columbia Business School and former independent director of Claire's Stores, Inc.; and Dane E. Holmes, cofounder and CEO of Eskalera, independent director of KKR & Co., Inc., and former global head of Human Capital Management at Goldman Sachs.

The COVID-19 pandemic and the racial reckoning sparked by the 2020 murder of George Floyd accelerated a shift toward employee empowerment that was already underway. And panelists and a majority of directors surveyed by the BLC in conjunction with the roundtable believe the phenomenon of employee empowerment is here to stay.

I think the current phenomenon of employee empowerment:

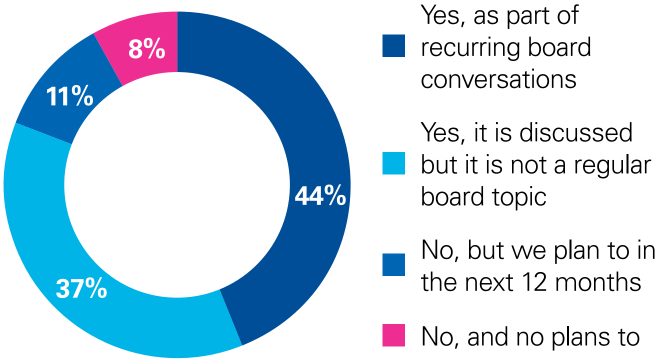


Source: Survey responses from 311 self-identified corporate directors registered for the 2022 Spring Directors Roundtable.

Regardless of how directors structure their oversight of human capital management and talent strategy—a decision that should be tailored to the needs and culture of the board—it should be part of every board discussion. "On any issue, it's normal for directors to ask, 'What are the financial implications of that?'" said Holmes. "Directors now should also ask, 'What are the people implications of that?'"

Most directors responding to a BLC survey said employee expectations are discussed regularly by the board or a committee.

Does your board (or committee) currently discuss employee expectations?



Source: Survey responses from 238 self-identified corporate directors registered for the 2022 Spring Directors Roundtable.

Thanks to the tools, technology, and information that employees have at their disposal, "organizations are experiencing where their rhetoric has to meet their reality," said Holmes. In other words, companies that hold themselves out as valuing workers as their number one asset and prioritizing work-life balance are expected to deliver on those promises.

But what does that mean? "When people say, 'I want flexibility,' they really want to be able to have some control over how, when, and where they're going to do their jobs best," said Yost. Flexibility "is not an HR policy or program that sits outside of the business. That's unfortunately why a lot of organizations are stuck."

A common misconception is that "flexibility" always means working remotely, but Yost notes that flexibility should be tailored to the company and is best defined based on the business needs and employee desires, with input from management, the board, and workers. Flexibility may mean flexibility in location or nonstandard work hours, depending on the job.

"You want to look at taking the best of what has been over the last two years. There has been a lot of success," said Yost. Then, with feedback from employees, "look at what is missing from the way we worked before … to determine what that next 'best' looks like."

"It's doing a detailed analysis looking at each job and asking, 'how, when, and where do we do that best?'" said Yost. "As a board member, empower your senior leadership to take a cross-functional, operations-based approach to reimagining work. For most organizations, the question to ask is: "What is the combination of on-site and remote work going to be?"

"It's not going to be 100 percent remote," said Yost. "That's where we tend to get stuck: We're either remote or we're on site."

For many companies, a large percentage of the workforce may not be able to perform any portion of their roles remotely, and the percentage of 100 percent remote workers is very small. "It's about looking at this broader, flexible, dynamic workforce across work spaces, both on site and remote. And it's also time flexibility, which can cover the rest of the workforce that can't work remotely," said Yost.

Panelists were quick to note that it isn't only younger employees who value flexibility. "People want to fit work and life together in a way that works for them," said Yost. "No two people have the same two realities, so how do you create an environment where all of those different realities can live together?"

Holmes agreed. "Everybody wants this stuff; I think different people feel more comfortable asking for it … These are core human needs and desires."

Investors are also focusing on these issues because an increasingly large part of company valuations today come from intangibles, including employees, said Brown. Intangibles represented 17 percent of the value of the S&P 500 in 1975. By 2020, intangibles represented 90 percent of the S&P 500 market value.[1]

The workplace transformation is being driven largely by demographics. Millennials (defined as anyone born between 1981 and 1996)[2] are the largest generation in the U.S. labor force, outnumbering Gen Xers and baby boomers, according to a Pew Research Center analysis of U.S. Census Bureau data.[3]

"Unless organizations adjust their ways to that generation, they have no way of succeeding," said Jick. While millennial workers want jobs, pay, and opportunity, "they also have other priorities," said Jick. "And they care that their employer cares about things other than work."

"They are reading the paper and asking, 'What is your company doing about [a particular political or social issue]?' and making a decision to show up based on what you say," said Brown.

"You can get trapped in philosophical debates, but the core debate should be, 'Is this going to make me a more successful company or not?'" said Holmes. "Companies tackle really complicated issues every day … if they believe it's going to drive success. If you start thinking *process*, you've already lost. You have to have a process, but you have to approach it as being about people first."

Yost noted studies showing that having two to three days a week of flexibility is seen [by employees] as an 8 percent pay increase. "From a board standpoint, in terms of managing costs and talent, that is very valuable," she said.

[1] Rulemaking petition to require public companies to disclose public companies' investments in their workforce submitted by Working Group on Human Capital Accounting Disclosure, SEC.gov, June 7, 2022.

[2] Michael Dimock, Defining generations: Where Millennials end and Generation Z begins, Pew Research Center, January 17, 2019.

[3] Richard Fry, Millennials are the largest generation in the U.S. labor force, Pew Research Center, April 11, 2018.

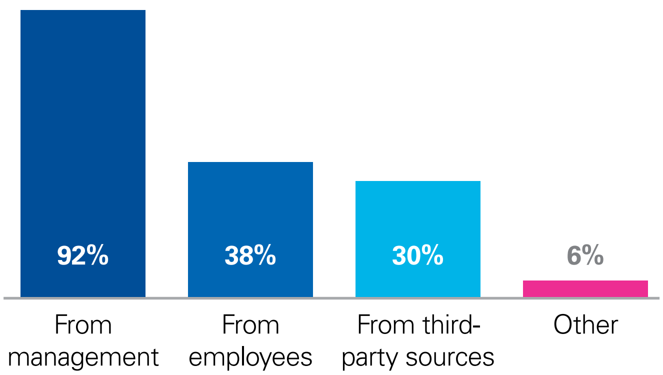
Even if a recession hits, "I think this is fully permanent," said Holmes. "They don't place the same value that we do on losing or changing jobs. It isn't as definitional to them."

"Directors need to keep a spotlight on these issues that won't dim, even if there's a recession," said Jick. "This isn't the 40-year employee generation. That model is gone."

To do that, Jick and others encourage directors to seek out information about employees beyond what's provided by management.

How does the board get information about the employee experience?

Multiple responses allowed



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"Part of the dilemma is having access to employees beyond management," said Jick. "I would encourage directors to find ways to do that," directly through off-sites, town halls, and other corporate events as well as indirectly through surveys and written comments.

CHROs can provide data on the employee experience, but "in terms of how you operationalize it, you have to go to the business for that," says Yost.

As workplaces change, Jick noted that companies may need to change their leadership capabilities to ensure that leaders have the skills required today. "We've revolutionized so many aspects of life but one area we have not revolutionized is management practices," said Jick. "Millennials are doing us a favor. They're forcing our hand on that and challenging us on a variety of areas that we need to address."

Holmes added, "The role of any director is to ask thoughtful questions. The power of a question is that it activates the organization. Before you dismiss the idea, ask, 'If everyone really did want flexible work, what would I need to do?'"

For more, view the webcast replay. ■

The views and opinions expressed herein are those of the panelists and do not necessarily represent the views and opinions of KPMG LLP.

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