# KPMG

# Measure employee behavior, not just sentiment, to drive successful transformation

By understanding what employees are doing—in addition to how they are feeling — organizations can address the people and culture issues that can hold back transformation and value realization.

# Introduction: A new approach to fostering cultural change

By definition, transformations drive new ways of working and shifts in culture—changes in an organization's vision, priorities, work environment, and so on. Leaders, managers, and front-line employees typically need to adopt new processes and mindsets, master new skills, and change how or with whom they interact. Their roles may be redefined, pushing them beyond their comfort zones.

Traditionally, organizations have tracked sentiment through surveys and focus groups to gauge buy-in and understand how employees are thinking and feeling during transformations. And while sentiment analysis is important, it comes up short. It does not measure the adoption of specific new behaviors that can determine the success or failure of every transformation.

Vast troves of data and powerful new tools, including generative AI, can help the transformation team understand actual behavior at scale. They can see whether employees, managers, and executives, are adopting desired behaviors —or not—almost continuously, in contrast to more traditional sentiment survey approaches that are conducted less frequently and subject to self-reporting bias. Tracking behaviors dynamically can enable agile decision making and timely course correction, increasing confidence with fewer missteps and less disruption—all at a lower cost.

Based on the findings, each impacted individual can receive tailored feedback and a unique learning development pathway, and transformation leaders can promptly identify what is working and why, to build on and scale the most effective tactics. Leaders can also readily see where corrective action is needed—providing additional supports and making adjustments to the change program itself, as appropriate. Speedy intervention is particularly important today as more organizations run multiple transformations simultaneously and ask employees to make increasingly significant changes in their routines.

# Organizations need reliable approaches to managing cultural change
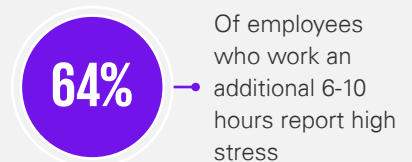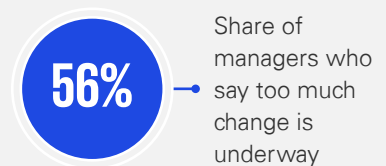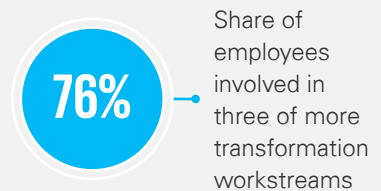
Implementing the behavioral and cultural changes required for successful transformation has always been a challenge. Many organizations still focus intently on new systems and processes, seeing people issues and "soft skills" as afterthoughts. Today, however, more organizations are running multiple, continuous, overlapping transformation efforts, compounding people and culture challenges that can slow value capture.[1] The stakes are higher.

In KPMG surveys of transformation leaders, managers, and employees, three-quarters of employees in large organizations say they are involved in three or more transformation workstreams, adding stress and hours to their work weeks. Managers say there is too much change. Stress can undermine buy-in, spur the departure of vital talent, and hinder the adoption of new tools and ways of working—the foundations of effective transformation.

Also, today employees may be asked to make bigger changes in how they work as organizations adopt digital technologies that redefine jobs. Gen AI, for example, is automating some tasks of knowledge workers who have not had to adjust their routines to accommodate technology in the past.[2] This disruptive technology brings huge opportunities to individuals and organizations but also raises the potential for fear, mistrust, and resistance.

Failing to understand and navigate these and other issues is like flying blind, with major strategic, operational, financial and reputational risks. To get the expected value from multiple transformations, organizations need rapid, efficient, effective, repeatable, and reliable processes to manage culture and behavior change. Behavior measurement should be part of every transformation toolkit.

## Signs of transformation burnout

**66%** Share of middle managers who have experienced a major technology transformation in the last two years

**76%** Share of employees involved in three of more transformation workstreams

**56%** Share of managers who say too much change is underway

**64%** Of employees who work an additional 6-10 hours report high stress

[1] Source: See "The new transformation agenda," KPMG LLP, 2023
[2] Source: See, "Generative AI success requires workforce remodel," KPMG LLP, 2023

# How to measure behavior to keep transformations on track

Using observed behavior data can keep transformations on track, helping leaders understand exactly where adoption is stalled, where it is taking hold, and why. This behavioral feedback loop enables leaders to gauge program efficacy, and test and learn continuously, iterate, and scale meaningful solutions more rapidly by meeting their people where they are.

The KPMG approach uses brief, anonymous, online, 360-degree peer-to-peer surveys that are administered frequently and generate data on observed behavior. An AI-driven application identifies colleagues who are close enough to provide useful feedback.

The application asks five questions about the subject's specific behaviors that management has identified as important in the transformation. A respondent might be asked to rate a colleague on "courage," such as taking responsibility for their mistakes, or on collaboration, such as seeking out opinions that may differ from their own.

Based on the survey responses, each employee receives useful, novel behavioral feedback each week in areas that are directly relevant to the transformation. Each person also receives a unique learning development pathway. Engagement is high; survey response rates are consistently in the 90-percent range.

We find that providing everyone with individual learning pathways can drive behavior and cultural change faster and more reliably than older methods, such as identifying 50 or 100 "influencers," providing them with coaching or training, and then hoping their new knowledge and behaviors will somehow percolate through the organization.

Digital tracking tools can gather behavioral data and insights into how employees are adopting new cultural norms and work routines. Salesforce.com and other platforms, for example, can gather data about whether people are using new tools and functionality that are central to the transformation. Copilot, Microsoft's chatbot launched in February 2023, can analyze and summarize meetings and email traffic to reveal whether new patterns of communication are emerging, cross-functional collaboration is rising, innovation is underway, and so on.

## Getting over a "hero culture"

When a state department of transportation's construction division embarked on a performance transformation, challenges ranged from budget overages to employee burnout and attrition and difficulty hiring. Senior leaders believed the division's "hero culture" discouraged managers from seeking help and led to siloed behaviors. We helped the division build a behavioral baseline across 1,300 respondents, which yielded enough data to isolate where certain behaviors needed to be adjusted among employees in different job levels, geographies, and so on. Data-backed findings cleared the way for senior leaders to agree on the problems and what to do next.

[1] Source: See "The new transformation agenda," KPMG LLP, 2023
[2] Source: See, "Generative AI success requires workforce remodel," KPMG LLP, 2023

# Five steps for using behavior data effectively

How can organizations gather behavioral insights and use them to accelerate behavioral and cultural change? We have identified five key steps to using behavioral data effectively to support transformations:

**1 Define the behavior changes that map directly to transformation objectives.**

Many leaders focus on technology and process changes rather than identifying and articulating needed behavioral shifts. These can include moving from diffused responsibility to individual and shared accountability; from episodic to continuous improvement; from fear of failing to growth and innovation mindsets; and from involving the "usual suspects" to more inclusive leadership.

**2 Build a baseline of current sentiment and behaviors**

Before a transformation begins, leaders need to gauge what employees are thinking, feeling, experiencing, and expecting—and how that varies by unit, location, tenure, and other factors. This current-state behavioral and sentiment baseline can help inform the project plan, priorities, and initiatives and enable transformation leaders to design change plans that meet employees where they are, addressing emotional needs along with capabilities. The baseline also helps leaders interpret behavioral data to gauge when, where, and why progress, stagnation, or backsliding are occurring.

**3 Measure and analyze behaviors continuously, identifying where people are making progress or facing challenges.**

By tracking behaviors in real time, organizations can quickly identify what tactics are working, why, and who is leading and influencing change in the organization. Gen AI, multivariate testing, and validation can help leaders track progress against goals and uncover powerful new insights from the data being gathered.

Some results may be unexpected. One organization was looking to fast-track a leader widely regarded as a "shoo-in" for chief executive. While most of his behaviors were rated positively, female employees rated him poorly on collaboration. This highlighted a critical blind spot in candidate readiness, enabling better decision-making and leadership development.

## Better results at a call center

An organization was struggling with high churn rates and subpar performance in its call centers. Leadership believed the root causes were related to the talent they were hiring.

A behavioral assessment provided unexpected results. "Courage" was one of the organization's core values, but it was defined differently by management and frontline employees. Leaders defined courage as a willingness to speak up even when the message wasn't popular. Employees had either skipped or ranked very low most statements related to courage in the behavioral assessment; follow-on interviews revealed that workers defined courage as "keeping your head down and getting your job done even when things are hard."

Based on these findings, the organization redefined its "courage" value to recognize and celebrate the employee definition and then devised a pathway towards the more strategic definition.

By celebrating employees' efforts, providing a well-understood learning pathway, and closing the cultural gap between leaders and employees, the organization has reduced churn and increased average employee longevity by 40 percent.

**4** **Course-correct to remove obstacles and improve the transformation program.**

Based on behavioral data, transformation leaders can quickly take action to encourage what is working and find ways to accelerate behavior and culture change where it is lagging, threatening the transformation's success. This might mean additional training and coaching by managers in departments where change is slow. As noted, it might also mean that some aspects of the transformation program need to be changed or sequenced differently. Qualitative behavior data can also help leaders identify change champions and help maximize their influence.

**5** **Share updates with the workforce, celebrating successes and pointing out improvement opportunities.**

Behavior and cultural changes are created by the whole workforce, not simply ordered up by management. This is why it is critically important to share progress, insights, and lessons learned visibly, celebrate and recognize stories of success and exemplars of change, grow good practices, and invite everyone to be part of the change.

We believe that the most successful organizations in the years ahead will put culture data in everyone's hands, from senior leadership to the front line—making empowerment of every employee central to how transformations are led and value is realized.

## Keeping a complex merger on track

A major merger or acquisition almost inevitably involves transformation: two organizations that may have very different processes, ways of working, and cultures need to find common ground.

A large financial information organization had agreed to purchase another organization in the industry, but final approval was hung up by regulators by nearly two years. The missions and overall work of both firms appeared to be similar, but ways of working were different— one organization was formal and structured in its approach, roles and responsibilities, and attire. The other group was less formal, more independent and decentralized.

To keep both sets of employees engaged and excited about the merger, KPMG helped craft a strategy of continuous engagement, using a mix of creative content and technology to keep all parties informed and connected throughout the long pre-close deal timeline. This included separate web spaces for employees of the two firms where they could get accurate information on the deal and share their questions and concerns. The approach proved successful: attrition was minimized, and talent was retained.

# How KPMG can help

We work closely with clients at every step in their transformation journeys, from unlocking the power of your people and culture, to orchestrating complex change through to execution. At every step, we bring a constant focus on value. With deep industry knowledge and experience, we deploy an integrated, cross-functional transformation approach to help clients optimize performance, digitize processes, and help manage the cultural, behavior, and capability changes that are critical to success. We help build confidence, trust, and belief in leadership's vision and inspire employee engagement and commitment to new ways of working.

## KPMG digital transformation suite



**Transformation Journey**

Connected    Powered    Trusted

Scalable Managed Services
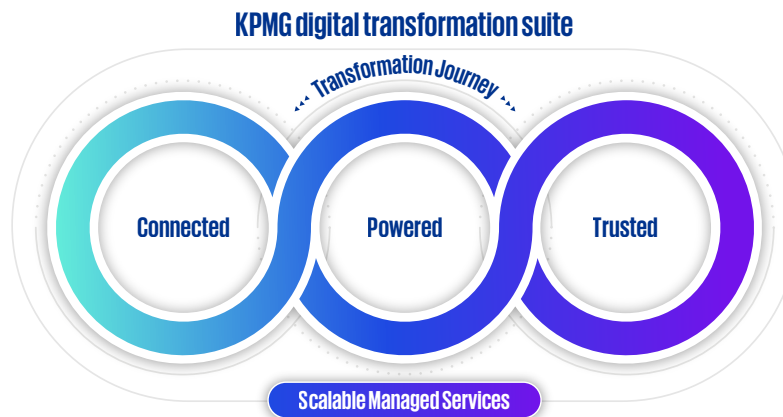
**Value.** We put value at the center of everything we do, always balancing risk and reward. We carefully monitor and orchestrate multiple transformation projects to ensure successful execution and value capture.

**Culture.** When transformations fall short or don't "stick", culture and people issues are often to blame. We help take the mystery out of understanding and shaping culture to unlock the full potential of your people, supercharge your purpose, mission, and strategy, spark innovation, strengthen trust and reputation, and bring differentiated value to your stakeholders.

**Technology.** Technology and data are the engines that drive transformation. Data-led insights enable our ability to increase financial value by uncovering new opportunities for clients to perform better, profit more, explore new potential, and save costs.

**Reimagining experiences.** By examining, exploring, and reframing what is possible, we help clients develop processes and ways of working that create better experiences for all stakeholders—employees, customers, partners, and clients. KPMG is uniquely positioned to help clients succeed with a portfolio of transformation solutions:

**Elevate.** We quantify value-creation opportunities using a data-driven approach—helping to achieve measurable improvements to revenue, margin expansion, cost management, and capital structures.

**Connected Enterprise.** We help align around your customers to create a smoothly functioning, agile, digitally-enabled organization that delivers better experiences and new levels of performance and value.

**Powered.** We support the transformation of functions with target operating models that are designed with the future in mind for optimized processes, governance, KPIs, people skills, and data.

**Transformation Journey.** We continuously plan, prioritize, and orchestrate transformation initiatives as endpoints shift to deliver results that matter.

**Trusted.** We build trust and confidence in the digital transformation journey by predictably navigating risk and regulation—and delivering on the promise to keep customer data trusted, safe, and secure

**For more information, contact us:**

**Dustin Kim**
*Managing Director, Advisory*
703-286-8000
dustinkim@kpmg.com

**Please visit us:** in | **kpmg.com** | ⟳ **Subscribe**