

ACLN VIEWPOINTS

Assessing and communicating corporate culture in a post-pandemic world

April 2024



It is crucial for every board to understand the state of its company’s culture and the potential risks its corporate culture may provoke. But assessing and overseeing the culture of a large company is a task that has become both more complex and more critical because of the profound social changes accelerated by the COVID-19 pandemic.

On March 5, 2024, members of the Audit Committee Leadership Network (ACLN) convened in Austin, Texas, to discuss how companies are adapting to cultural changes and good practices for board oversight of culture. Members were joined by Page Motes, vice president for sustainability and impact at the Hertz Corporation, to explore this topic.

For a list of reflection questions for audit committees, see page 9. For a list of participating audit chairs, see Appendix 1 (page 11). For Ms. Motes’ biography, see Appendix 2 (page 12).

This *ViewPoints*¹ covers a number of important themes that emerged during the discussion as well as in premeeting calls with members:

Multiple forces are reshaping corporate cultures

Directors agree on the importance of culture, but oversight methods vary

Boards must consider their own cultural dynamics

Multiple forces are reshaping corporate cultures

The COVID-19 pandemic accelerated a profound, multiyear transformation in workplace cultures, affecting not only in-person and remote work practices but also employee perspectives on work-life balance, career paths, and job fulfillment. After the pandemic, companies are still undergoing changes that impact culture. Many have had to evolve their corporate culture in response to shifts in strategy and the changing business landscape.

Members and Ms. Motes highlighted several forces impacting culture at large companies:

- Hybrid and remote work.** For companies that continue offering remote or hybrid work options, audit chairs worried that these environments can make establishing and communicating culture difficult. *“There are concerns that the connectivity between people isn’t as good as it should be to actually progress and instill a strong company culture and that some elements of the culture will be watered down,”* one member said. Another emphasized the role that in-person interactions play in shaping culture: *“I don’t know how we are developing our corporate cultures anymore. We grew it and developed it in the office, and I learned by observing my supervisors and the levels above them. I’m worried we’ll look back in five or 10 years and say, ‘What happened, and how did we miss it?’”*
- Return-to-office (RTO) policies.** Some members reported significant challenges as their companies navigate RTO efforts, requiring employees to resume in-person office work for at least part of each week. *“We have struggled mightily with how to get people back to the office,”* one said. *“We spent hundreds of millions upgrading facilities and it’s a ghost land. Underutilized is an understatement. We’re still working on it,”* the member explained. Another said, *“The whole COVID-19 experience has put culture at risk, and it has been detrimental in many areas. Companies see evidence of lower efficiencies in a remote workforce and of weaker vendor and customer relationships.”*

Can RTO be successful?

A few members reported relatively smooth experiences with RTO at their companies. One described two companies that required employees to return to the office five days per week: *“In neither instance have the companies felt like they’ve lost people or had difficulty with recruiting.”* In another case, citing the nature of the company’s industry, a member explained, *“The lowest we ever got during the height of the pandemic was between 50% and 60% in attendance. Today we’re at 75%–80%. It never got bad, so the difficulty of getting it to a better place is easier.”*

- Generational differences.** Generational shifts in the workplace introduce distinct differences in communication styles, workplace expectations, and technology skills.

“Every generation must create change, or our world will never change. Every existing generation must resist change, or the world will change too fast,” one member observed. As Gen Z becomes a larger part of the workforce, companies must adapt to its unique perspectives. Ms. Motes noted that *“Gen Z has a completely different mentality. They look at leadership, engagement, and communication differently. They even have different attitudes about what they wear to work. They are not as driven by money; they are driven by purpose and common values.”* One member cited this as an opportunity: *“We now have a younger workforce that is more tech savvy, more flexible.”* Another noted, *“We did a study and found out that we didn’t fully appreciate how a lot of our younger staff communicate. For them, face-to-face isn’t as important and they feel they can establish just as good of relationships if they are texting, zooming, or using some other way of communicating that is a natural part of their lifestyle.”*

“Every generation must create change, or our world will never change. Every existing generation must resist change, or the world will change too fast.”

—Audit Chair

- **Other forces such as globalization, cloud computing, and outsourcing.** *“All these trends are coming together, and the net result is the notion of having to work seamlessly with people around the world inside and outside the walls of the organization, so people want flexibility to figure out what makes the most sense,”* a member observed.

While there is a natural tendency to want to see things *“get back to normal,”* Ms. Motes said, she cautioned that *“things will never get back to exactly how they were, and it’s important to incorporate the knowledge we’ve learned and embrace that things are different.”* Yet some audit chairs expressed concern about how corporate cultures are evolving. *“I’m with you that there is no going back, but I’m worried. Is there anything we can do to develop and protect culture?”* one asked.

The challenge for companies now, Ms. Motes suggested, is to drive productivity, engagement, and innovation in this *“new normal”* work environment. Members and Ms. Motes reflected on their experiences and identified considerations for boards:

- **Connect to purpose, mission, and values.** Companies that can clearly articulate their purpose and mission are ahead of the game, Ms. Motes advised, because employees have reevaluated their priorities. *“How does the company articulate and drive action so employees are not just making a product or selling a service but reaching ‘beyond’? Even more so than before the pandemic, that is really important now. We are all in it together.”*
- **Communicate the “why.”** Members underscored the importance of corporate leaders clarifying the reasons behind RTO policies, emphasizing that employees need to see the value in coming to the office. *“People recognize that this is their world, and even though they may say, ‘I want to stay home,’ that’s not really what they mean. They just want to know that if they make that trip to the office, it feels like they did something sensible,”* one said. Another cautioned, *“The decisions that are communicated have to make sense*

to employees, but the communications are not always thought out in that way.” Ms. Motes underscored the point by noting that some companies have ordered employees back to the office to drive employee interaction but, as the *Wall Street Journal* reported, have found them sitting alone in soundproof booths for eight hours, on calls with global colleagues.² A CEO interviewed in the article noted that although he lives three minutes from his office, “if I really have to get work done, I do it at home.”

- **Build empathy and trust and be flexible.** *“One of the good things that came out of the pandemic was we recognized each other’s humanity. We gave each other grace and time,”* Ms. Motes explained. Maintaining this empathy and trust is crucial. *“During the pandemic, we said, ‘We trust you to go about your work the way you see best and that you will continue to be effective and efficient. And for the most part, people did that. Now that the pandemic is over, some companies are saying, ‘Okay, the trust is over. Come back to the office.’”* A member cautioned, *“If what you put out from the company is perceived as a lack of trust, it will not go over well.”* Another added, *“In the pandemic, we learned that you could trust your employees to do a good job, and management needs to be flexible because work-life balance is different now.”*
- **Consider the effect on all functions and positions.** One member pointed to the disparate treatment of frontline workers for whom work-from-home was never an option (e.g., in manufacturing): *“I always felt it was unfair, creating a sense of class structure, sending people out to work in the field versus the ivory-tower office. Achieving a balance on how you define your own workforce and culture really does matter because it shows a sensitivity to all levels of workers, not just the downtown C-suite. If you don’t do that, there is a real risk of resentment developing internally.”*
- **Pay attention to the “mood in the middle.”** Culture can be *“made or broken”* with the middle and front-line managers, and employees often look to managers at that level for a reality check about what leadership is saying, Ms. Motes said. Members agreed, acknowledging that while tone from the top is essential, boards should also seek to know the *“mood in the middle.”*

Directors agree on the importance of culture, but oversight methods vary

Audit chairs expressed varied opinions on the role of boards in shaping company culture. Some felt that boards play more of a direct role, others less so. One member argued that culture is primarily the CEO’s responsibility: *“I don’t think the board has a role in developing culture. Corporate culture is the most difficult thing to change in a company. It takes a lot of time and significant effort from the CEO to set the tone and demonstrate very strong values and principles. I don’t believe the board has to set culture. It’s like strategy—we don’t live it*

every day and it's difficult for us to overrule, veto, or tell the CEO what to do."

There was consensus, however, that it is crucial for boards to understand the company's culture. All members reported this as a regular agenda item. Some boards assigned oversight responsibilities to specific committees, such as nominating and governance or compensation. The audit committee typically does not lead in cultural oversight, but its work often intersects with aspects of culture. One member explained, *"The right culture substantially reduces risk in an organization, and a negative culture substantially increases risk, so it is very much in the audit committee mandate to understand culture."* Especially in the current environment of shifting workplace norms, the member advised that audit committees should ask *"what the company's strategy is for building and sustaining culture in a hybrid world with Gen Z because that's the world we're heading into. We need to understand what the CEO's strategy is in that context."*

But getting an accurate read on culture can prove challenging for boards. *"Culture metrics are hard to come by,"* one member said. Members described the difficulty of assessing corporate culture in international companies that span different cultures and worldviews. They noted that board members are naturally removed from the day-to-day operations of the company and have limited interactions with employees, especially at large companies that may have thousands of employees in hundreds of countries.

While challenges persist, Ms. Motes and members discussed tools used to assess and track culture in their companies:

- **Engagement surveys.** Members cited surveys as their most widely used cultural-assessment tool. Ms. Motes said an annual engagement survey can be an excellent way to give employees an opportunity to be honest about their experiences, especially if they *"come to understand that honesty is rewarded, not punished."* She encouraged boards to ask the executive team, *"Are you asking the same questions you asked pre-pandemic? Or given the 'new world,' do you have the right tools or capacity to engage on a global scale? How do you have 'water-cooler moments' when you're not near the water cooler?"* A member said his company regularly sees response rates to its annual survey approaching 85% and attracting tens of thousands of comments, noting, *"The CEO and his senior team have a very deep sense of empathy and appreciation for their fellow employees."* Ms. Motes noted that beyond being an assessment tool, surveys can be *"tools that allow team leaders to tell their team members, or for team members to tell each other, when they are doing a great job—not just 'attaboy' moments but to show evidence that we live our values. That's where culture comes to life."*
- **Site visits.** Members pointed to site visits as an important cultural-assessment tool. At one company, board members are *"expected to do four to five site visits a year—go to the site with a sense of purpose and talk to people about culture. All board members do*

"The right culture substantially reduces risk in an organization, and a negative culture substantially increases risk, so it is very much in the audit committee mandate to understand culture."

—Audit Chair

it, and we feed it back into a template and discuss what we've seen." Another said their chairman spends a majority of his time in the field meeting with employees, adding that the day before a board meeting away from the company headquarters, the board will visit several properties in the area and meet with local employees.

Sector Day: A framework for effective site visits

One member described a process for board site visits that he has found to be particularly effective. Called "Sector Day," the process involves a small subset of the board (usually two to four members) visiting one of the sectors of the business. *"We have dinner with the CEO of that business unit and get the lay of the land. The next day includes an operating view of the facility and a site tour. The word 'learn' comes to mind—we learn about the CEO of that sector, learn how they manage, interact with, and develop their team; we learn about culture on the shop floor itself."* He noted, *"We recently added the opportunity for them to ask questions of us, which demystifies the board role."*

The "magic" of Sector Day is that *"no one from corporate is allowed to be there,"* a director said. *"This lets us see what is really happening on the ground without being influenced by the understandable strength of the CEO."* He added, *"A side benefit is that you get to see a bunch of the succession candidates for senior leadership positions up close and personal."*

- **Hotlines.** Ethics hotlines are a critical tool for boards to keep a finger on the pulse of the company's culture. One audit chair said, *"I asked to see the entire [hotline] report, not just a summary. I go through it and share it with the audit committee. I see trends and if something is going up, I ask a question."* Ms. Motes added, *"If you see a spike and a larger number of calls coming in, that may be a good thing, as it shows the speak-up process is working. If numbers plummet, that may be a sign of a culture issue because people may be scared to speak up."*
- **Ombudsmen.** Ms. Motes advocated for the return of *"old-fashioned ombudsman programs,"* explaining that *"they catch early trends of culture before it becomes an issue."* Hotlines, while essential, may be viewed by employees as a last-ditch effort. *"By the time someone calls a hotline, the issue is likely already a big one,"* Ms. Motes said. She compared ombudsmen to therapists—well-trained individuals who can, for example, meet with an employee and a leader to help them talk through and resolve issues, then collate anonymized data to identify root causes or larger cultural issues. One member agreed: *"I was shocked to learn that the hotline was staffed by HR people lifted out of operations, so anyone who might have been an ombudsman is now gone. We have to go back to the basics—ombudsmen and more training and coaching."*
- **Input from ethics and compliance teams.** Ms. Motes noted that *"many ethics and compliance functions are using data in a whole new way to understand when people are*

not doing the right thing in a company—salespeople and pricing processes, for example. You can get data to understand if you are having some culture breakdowns relative to compliance violations in certain parts of a business. Those metrics can help and assist audit committees. That could be an area you could ask senior management about.”

Culture is crucial to the success of mergers and acquisitions (M&A)

Members emphasized the need for boards to be aware of potential cultural risks that may arise from M&A activity. Aligning disparate business cultures when two firms come together can make or break the success of a transaction. The group described both positive and not-so-positive examples.

Effective integration strategies involved an intentional, thoughtful approach by leadership to foster a cohesive culture. Ms. Motes described her experience of a merger where the two companies brought together core teams, including ethics and HR, to define a new purpose, a new set of values, and an overarching strategy. *“Senior leadership decided that it would be disseminated by a cascade program of workshops—first from the CEO to his direct reports, then those people did workshops with their direct reports, and so on. It took months, but it became an anchor by which we could operate in a collective culture,”* she said. One member cited a similar positive experience, where two companies came together to build on the strongest aspects of each other’s culture: leadership took decisive action *“about what systems to use and the people and the culture we wanted to have.”* It is worth noting that in many cases, speed is essential in the M&A process, so such deliberative processes can be rare.

Challenges can arise. A member recounted a difficult experience: *“A merger of equals is a disaster. Two companies merged but kept all the senior leadership. It was so dysfunctional because you can’t have two of everything; people were right on top of each other.”* In another challenging case, the member said, *“It ended up with the board being dominated by one side and management dominated by the other side—and it was a complete mess.”*

The discussions also revealed the long-term nature of integrating cultures. Some mergers take years to achieve a unified company culture, if at all. One member gave an example from an acquisition: *“We did a lot of what the book says: set up a committee for integration, set up the best performing executive on every level. This was over five years ago and we still will require a few more changes before there is one company culture; I think we have a few more years to go before we get there.”*

Another said, *“We’ve been having issues in one particular business unit and looking into its culture to see what may be causing these issues. We found that it was acquired close to 15 years ago and never necessarily fully integrated. They are a little more remote and their leadership team has been there for a long time. When we see that kind of thing, the audit committee does get involved and say, ‘We think their culture needs to be more aligned with the whole company.’”*

Boards must consider their own cultural dynamics

Ensuring that the board itself has a strong culture, one that reflects the company's values, is important for directors. During the pandemic, most boards moved to remote meetings, but members reported that their boards are now primarily meeting in person, which helps foster a positive board culture and enables relationship building among board members.

Members consistently pointed to the role of the CEO and the board chair in establishing the tone at the top within the board. In the boardroom, one member said, *“The chair needs to set the tone in terms of expectations, behavioral and otherwise.”* Another explained how the CEO sets an example of transparency and respect: *“Even though we only have four official board meetings a year, the CEO has always held an optional monthly board meeting call. It’s not an official board meeting, but there’s almost always 100% participation. It’s just a good way of keeping the board up to date on what’s happening between meetings.”* The member added, *“He always gives the board full ability to have executive sessions whenever they want. He goes out of his way to make sure the board can discuss things among themselves. I think that’s a good way to encourage your employees to have the same kind of open and transparent approach to life.”*

Understanding a board's culture should start early. One member said, *“It’s important for prospective board members to ask about it, to make sure they understand the culture and embrace it and believe they can contribute in a positive way and support it, day in and day out, as part of being a board member.”*

As to how boards oversee their own culture, a member said, *“In my view, the boards that are most effective have individual director evaluations. All boards evaluate the full board and committee effectiveness, and a few boards supplement that with individual director feedback—providing direct feedback to each member of the board on how he or she is perceived by peers. Not that we all need to agree, but we need to disagree respectfully. I find that to be very helpful.”* Another member noted that there can be issues: *“One person can really take away from the dynamics of the board. In that case, either the chairman or someone else can talk to that individual and try to mitigate it—or maybe that individual does not have the right skill set.”*

Reflection questions for audit committees

- ? Does the board set the right tone at the top and give enough attention to culture at its board meetings as a key enabler of strategy?
- ? How is the organization's culture shifting to align with a change in strategy? Can the company achieve new things with old ways of working? How are culture changes communicated to employees?
- ? How has the company adjusted its tools to assess and track company culture in the wake of the pandemic? In what ways do those tools account for the changing attitudes and work styles of younger employees?
- ? How thoroughly has your board or audit committee discussed the impact of culture on risk, risk management, and the internal control environment?
- ? When considering M&A, where does culture fall into the due diligence process? Is the cultural-integration process something just to be worked through, or does it present an opportunity to reassess and strengthen culture in the company? How is progress measured to ensure the desired culture is achieved?
- ? How does your board (and your audit committee) assess and manage its own culture? How do you ensure that values like trust, respect, and open communication are demonstrated throughout the organization?

About this document

The Audit Committee Leadership Network is a group of audit committee chairs drawn from leading North American companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is organized and led by Tapestry Networks with the support of EY as part of its continuing commitment to board effectiveness and good governance.

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

The perspectives presented in this document are the sole responsibility of Tapestry Networks and do not necessarily reflect the views of network members or participants, their affiliated organizations, or EY. Please consult your counselors for specific advice. EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Tapestry Networks and EY are independently owned and controlled organizations. This material is prepared and copyrighted by Tapestry Networks with all rights reserved. It may be reproduced and redistributed, but only in its entirety, including all copyright and trademark legends. Tapestry Networks and the associated logos are trademarks of Tapestry Networks, Inc., and EY and the associated logos are trademarks of EYGM Ltd.

Appendix 1: Participants

The following ACLN members participated in all or part of the meeting:

Fernando Aguirre, CVS Health
Joan Amble, Booz Allen Hamilton
Judy Bruner, Applied Materials
Janet Clark, Texas Instruments
Anne Drinkwater, Equinor
Bill Easter, Delta Air Lines
Bella Goren, General Electric and Marriott International
Gretchen Haggerty, Johnson Controls
David Herzog, MetLife
Lori Lee, Emerson Electric
Larry Quinlan, Jones Lang LaSalle
Tom Schoewe, General Motors and Northrop Grumman
Cindy Taylor, AT&T

The following ACLN members participated virtually in part of the meeting:

Dave Dillon, 3M and Union Pacific
Tom Freyman, AbbVie
Jim Turley, Citigroup
John Veihmeyer, Ford

EY was represented by the following in all or part of the meeting:

Julie Boland, US Chair and Managing Partner and Americas Area Managing Partner, EY
Jennifer Lee, Managing Director, Americas Center for Board Matters, EY
Pat Niemann, Partner, Americas Center for Board Matters, EY

Tapestry Networks was represented by the following in all or part of the meeting:

Beverley Bahlmann, Executive Director
Jonathan Day, Chief Executive
Kelly Gillen, Senior Associate
Todd Schwartz, Executive Director
Abigail Ververis, Project and Event Manager

Appendix 2: Guest biography

Page Motes is the Vice President of Sustainability & Impact for the Hertz Corporation.

Ms. Motes and her team are responsible for the global environmental and social impact strategy, priorities, and key programs. She chairs the Sustainability Disclosure Committee, which drives cross-functional executive oversight related to voluntary and mandatory reporting.

Ms. Motes also leads the Hertz Electrifies program, a strategic public-private partnership between Hertz and cities across the country aimed at accelerating the transition to electric vehicles, cultivating the automotive technician workforce of the future and creating economic opportunity and environmental benefits across communities.

Prior to this role, Ms. Motes spent 14 years with Dell Technologies in leadership roles spanning sustainability, compliance, and ethics, preceded by an additional 15 years in sales and consulting, primarily within the environmental, social, and governance space.

She has delivered leadership programs in association with the Bentley College W. Michael Hoffman Center for Business Ethics as well as the University of Texas at Austin, her alma mater. Ms. Motes has also engaged in strategic advisory roles with groups like the Responsible Computing Consortium and served as a board member of the Ethics and Compliance Initiative.

Endnotes

¹ *ViewPoints* 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 are not attributed to individuals or corporations. Italicized quotations reflect comments made in connection with the meeting by network members and other meeting participants.

² Ray Smith, "[The Reason the Office Isn't Fun Anymore](#)," *Wall Street Journal*, January 16, 2024.