



Views from the boardroom

2021 pulse survey

KPMG Board Leadership Center

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Rethinking strategy, risk, and stakeholder focus

It's clear that 2021 will be about refining—if not fundamentally rethinking—strategic planning and risk management. While perhaps not surprising, this overarching takeaway from polling¹ at our 2021 KPMG Board Leadership Conference is no doubt eye-opening in its implications for board oversight and leadership.

In this period of unprecedented disruption and uncertainty—including the trajectory of the COVID-19 virus and the impact of accelerating megatrends on the post-COVID-19 new normal—navigating the future will require a sharp focus on near-term and longer-term strategy and risk (no small undertaking in normal times). And robust scenario planning will be essential.

Survey findings from the conference detailed in this report paint an important picture for corporate directors and senior executives: the increased focus on stakeholders, the urgency of climate risk, the strategic implications of cybersecurity and data governance, and the spotlight on CEOs and corporate leadership all point to a pivotal year ahead.

Any one of the survey findings in this report is likely to spark a robust discussion in your boardroom; taken together, they can help the board—and the company—widen its aperture, question long-held assumptions, and think more holistically about the company's future.

To that end, we hope you find this report helpful and invite you to explore other timely insights, programs, and resources from the [KPMG Board Leadership Center](#).



¹ Reflects survey responses from approximately 200 corporate directors attending the KPMG Board Leadership Conference, January 12–13, 2021.

Key takeaways



The shift toward stakeholders, ESG, and long-term value creation is clear and dramatic. Nearly 90 percent of directors said that, in light of the events of the past year, their company is reassessing how it addresses the interests of key stakeholders (in addition to investors); more than two-thirds said that the focus on ESG is important to long-term performance and value creation, and nearly 90 percent said that the company can meet the needs of stakeholders in a socially responsible manner while generating superior financial results. At the same time, 81 percent said their company's incentive structure encourages management, to some degree, to maximize short-term returns at the expense of long-term returns. Among the key questions for CEOs and lead directors to consider: How does our incentive structure and culture drive ESG performance? How effectively are we assessing and disclosing the company's ESG performance?

The focus on climate risk by companies and boards appears to be falling short of investor expectations. Only one-third of directors expressed confidence that their management team understands the implications of climate change for the business, and only 29 percent said that "addressing climate change" will be of strategic importance to the company in 2021. This is in contrast to investors' expectations for companies. In his 2021 letter to CEOs, BlackRock chairman and CEO Larry Fink wrote: "No issue ranks higher than climate change on our clients' lists of priorities." Fink asked companies to articulate a plan explaining "how their business model will be compatible with a net-zero economy," and how the plan is incorporated into the long-term strategy and reviewed by the board of directors.

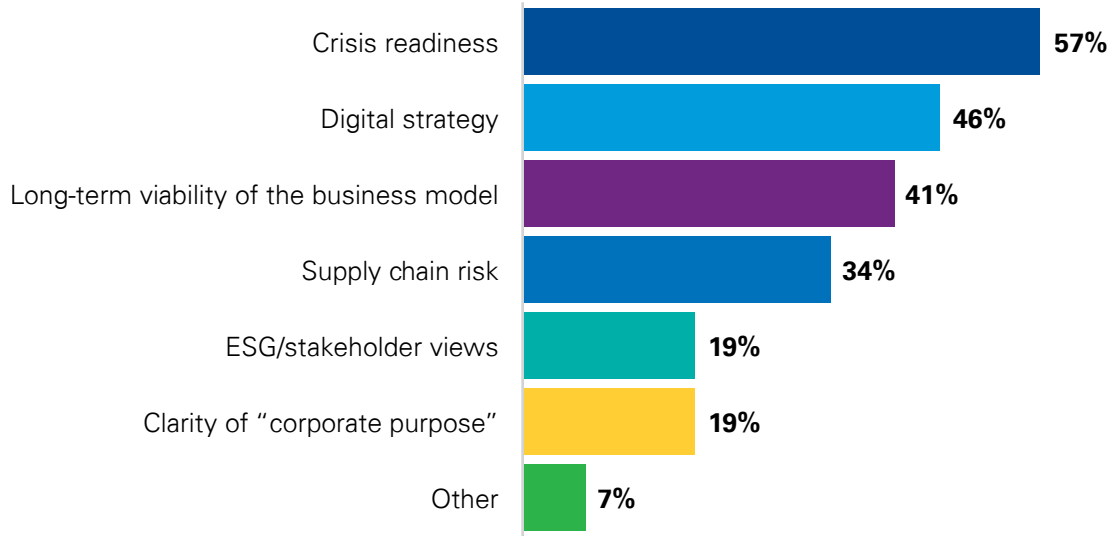
Cybersecurity, data privacy, and data governance are the top global governance risks for companies in 2021. This comes as little surprise given the shifts to remote work, online customer engagement, and the growing sophistication of cyber attackers—including nation-states. In light of the recent SolarWinds cyberattack, directors expressed increasing concerns about cyber risks posed by third-party vendors.

The pressure—and spotlight—on CEO and corporate leadership is intensifying. Nearly two-thirds of directors said that corporate America is best positioned to help tackle societal problems through leadership by example and innovation. And the vast majority of directors said that CEOs have a responsibility to take a stand on diversity, equity, and inclusion (DEI) and other societal issues. Yet, an important caveat: Only 8 percent said that corporate America is making a "strong follow-through" on its DEI and societal commitments. Boards play an important role in helping to ensure there is strong follow through on these commitments. Eighty percent of directors reported that, given the events of the past year, their board has intensified its focus on CEO and senior leaders, including succession plans. Is the company using its resources, influence, and capabilities to not only talk the talk, but to walk the walk?

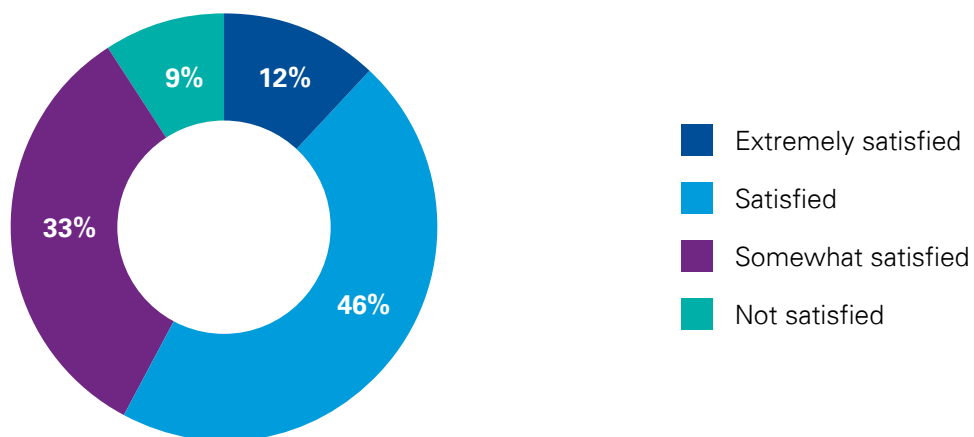
The Biden administration's policy initiatives will be a key area of focus in the near term. What opportunities and risks will the new administration's policy initiatives pose? In addition to an economic stimulus package, near-term policy initiatives that directors said should be the focus of board attention include tax reform (which may be part of the economic stimulus package); the U.S. Securities and Exchange Commission's regulatory agenda (particularly new disclosure rules regarding ESG issues, sustainability, and corporate governance), as well as trade policy and climate-related regulation. Boards should consider the risks posed by reregulation and new regulations as well as stepped-up regulatory enforcement.

Strategy, risk, and the future

In which areas has the company learned its most important lessons—and made significant changes—as a result of the COVID-19 experience? (Select top three.)

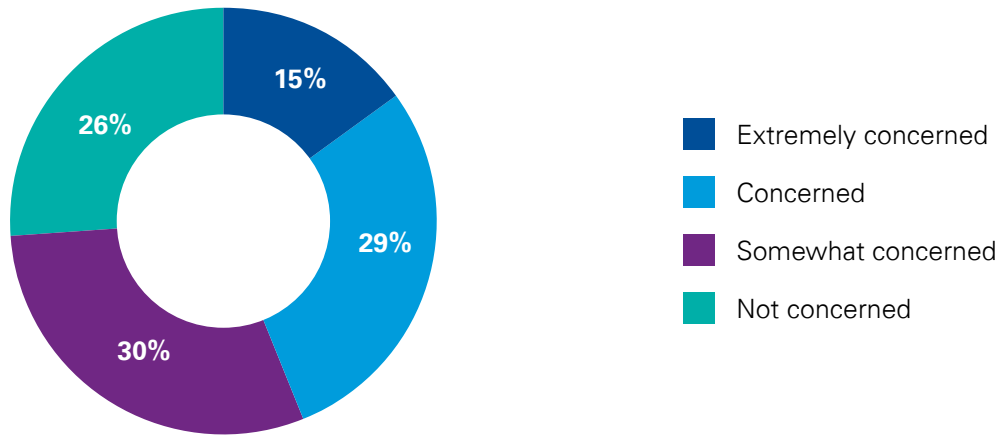


How satisfied are you with the quality of your board's discussions with management regarding the impact of geopolitical risks on the company's operations and strategy?

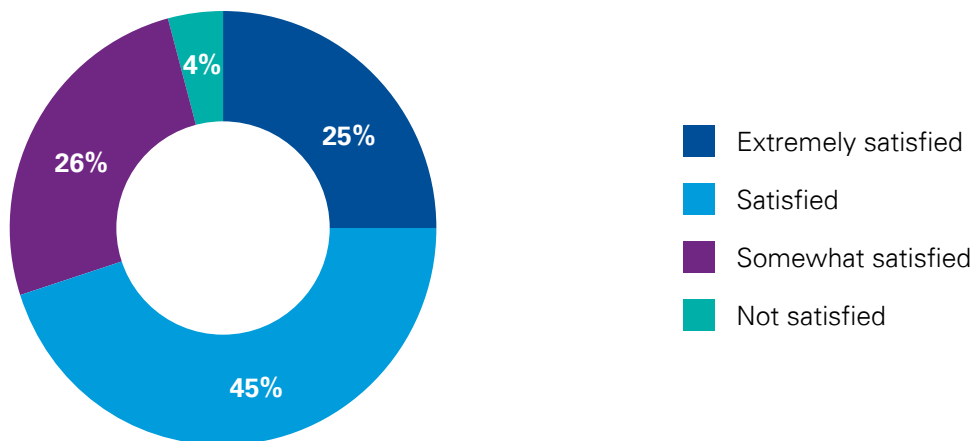


Reflects responses from approximately 200 corporate directors attending the KPMG Board Leadership Conference, January 12–13, 2021.

How concerned are you that a lack of diverse views in your boardroom hampers a fulsome discussion of the company's future?

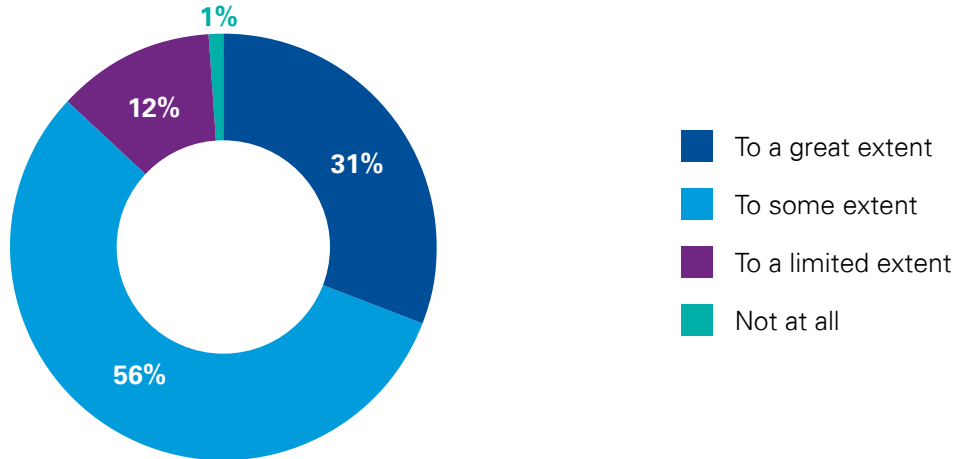


How satisfied are you that your board has the range of experiences and skills sets—including perspectives and worldviews—to add value in the current global business environment?

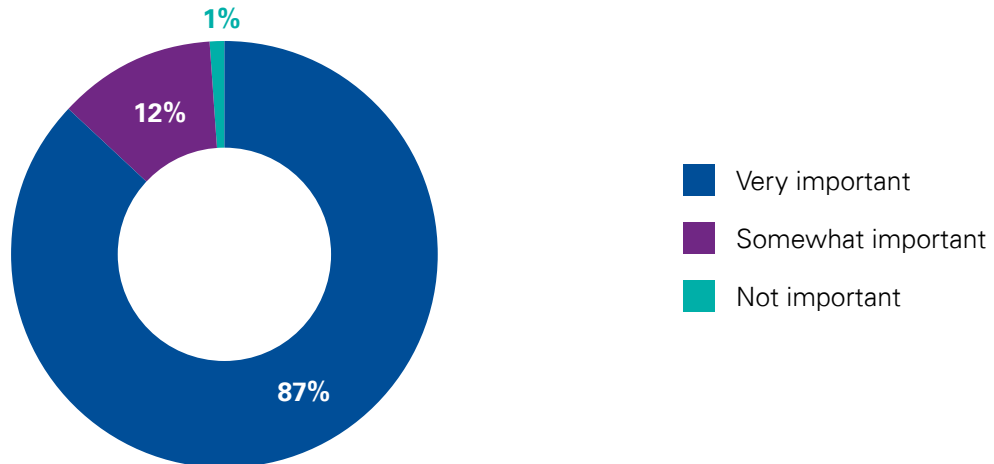


ESG, stakeholders, and corporate leadership

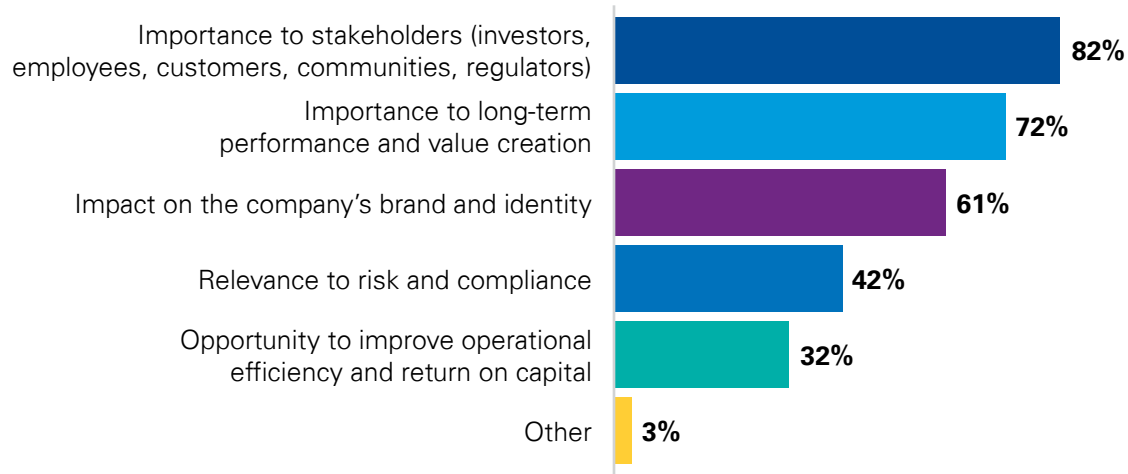
To what extent have the events of 2020 caused your company to reassess how it is addressing the interests of key stakeholders (in addition to its investors)?



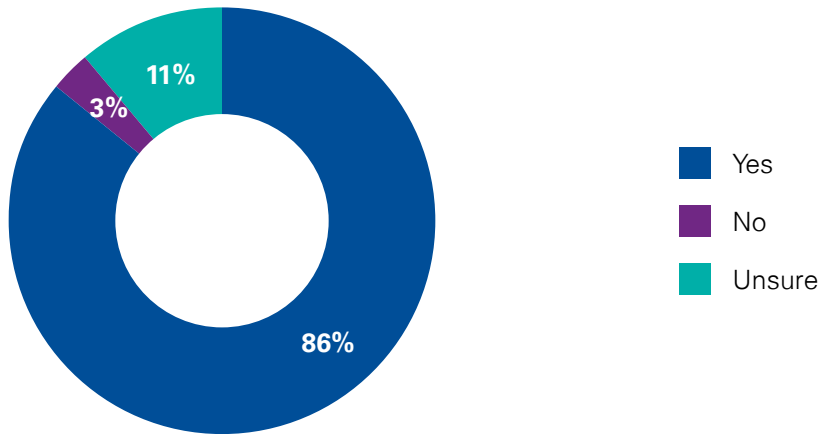
In order to create sustainable long-term value, how important is it for your company to align its strategy and business practices with the interests of key stakeholders (in addition to its investors)?



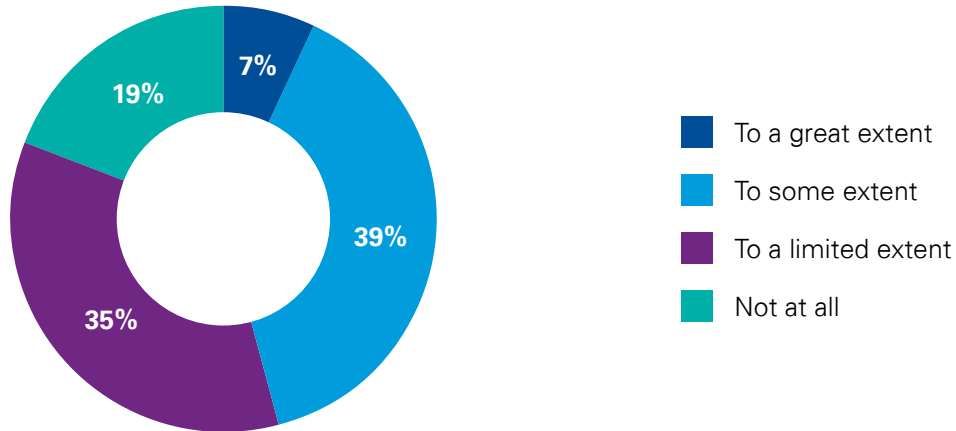
**From your board's perspective, what are the most important reasons to focus on ESG issues?
(Select all that apply.)**



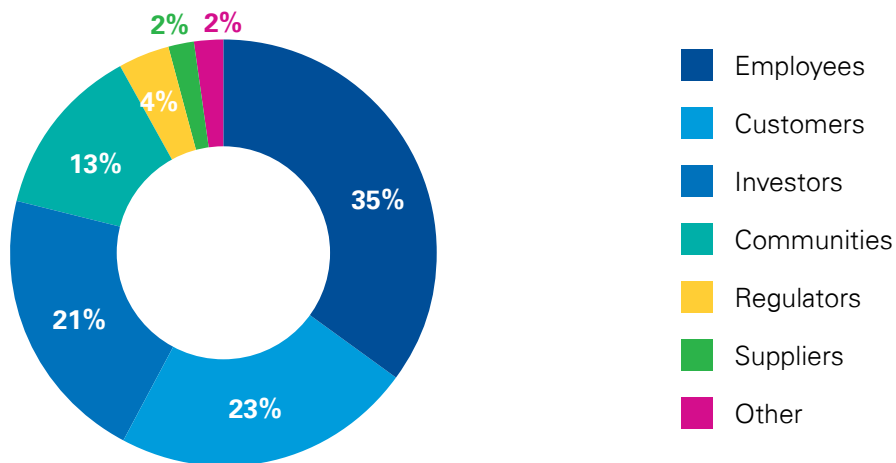
In your view, is it realistic for your company to meet the needs of stakeholders in a socially responsible manner while generating superior financial results?



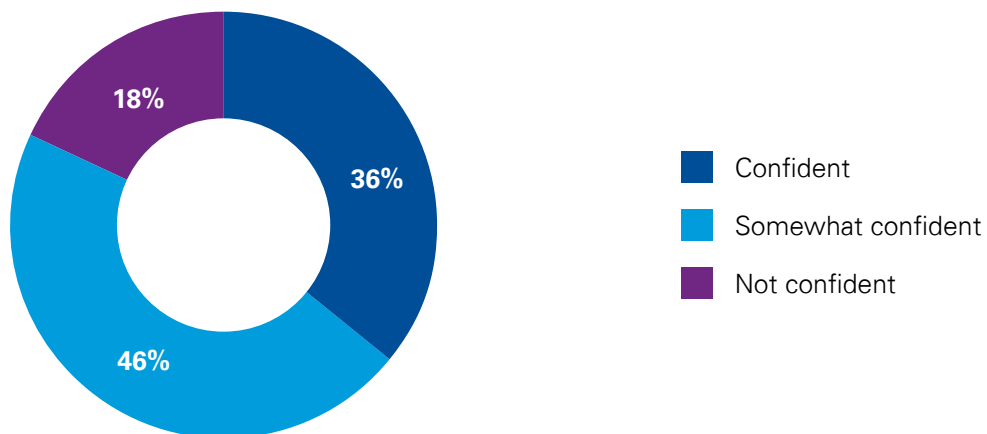
To what extent does your company's incentive structure encourage management to maximize short-term returns at the expense of long-term returns?



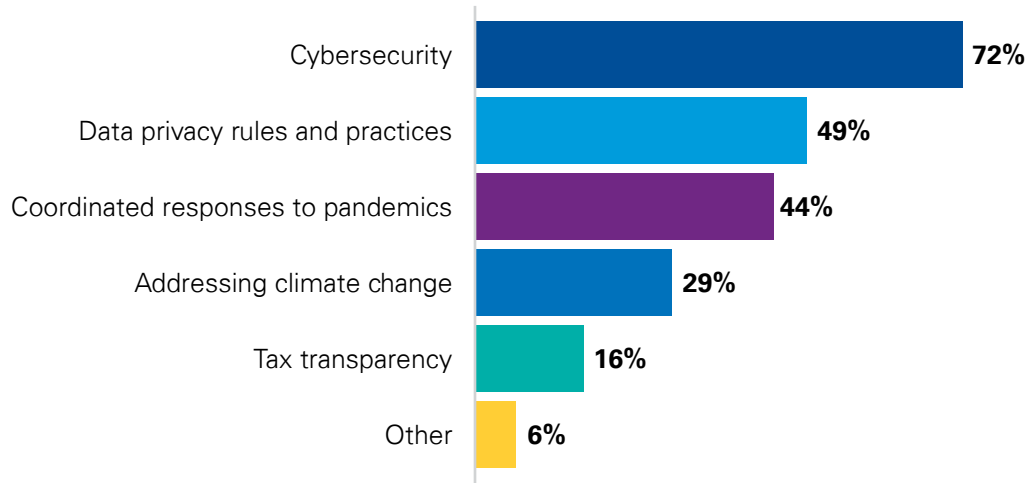
Over the past six months, which stakeholders' views have been most prominent in boardroom discussions?



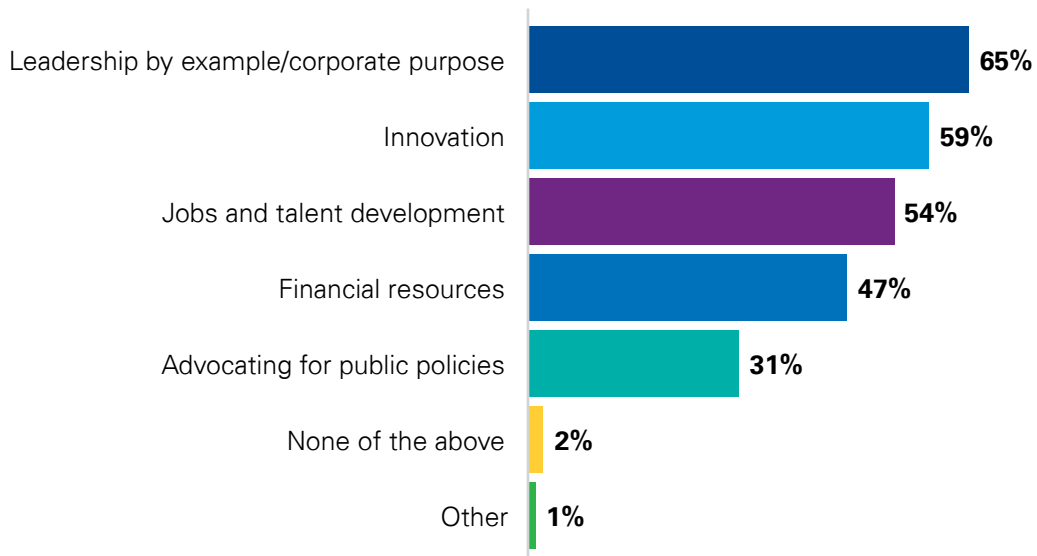
How confident are you that your company's management team understands the implications of climate change for the business?



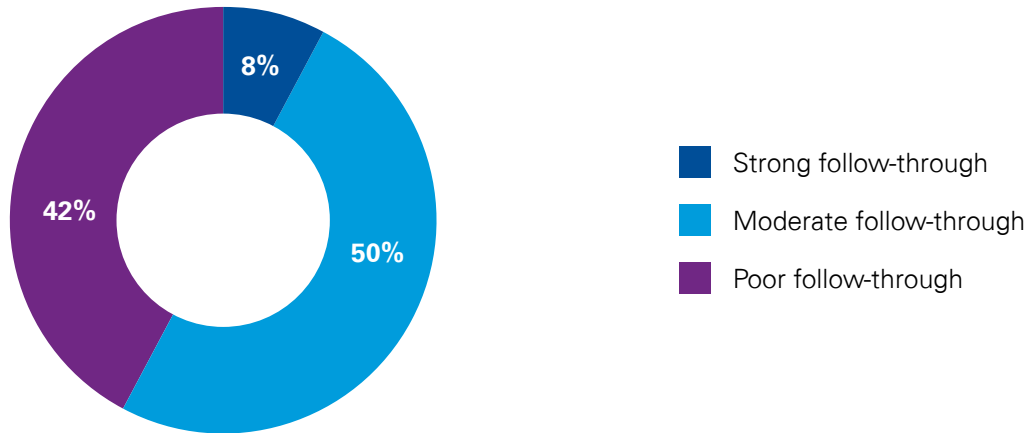
On issues of “global governance” being driven by international efforts, which of the following are most relevant to your company’s strategy in 2021? (Select all that apply.)



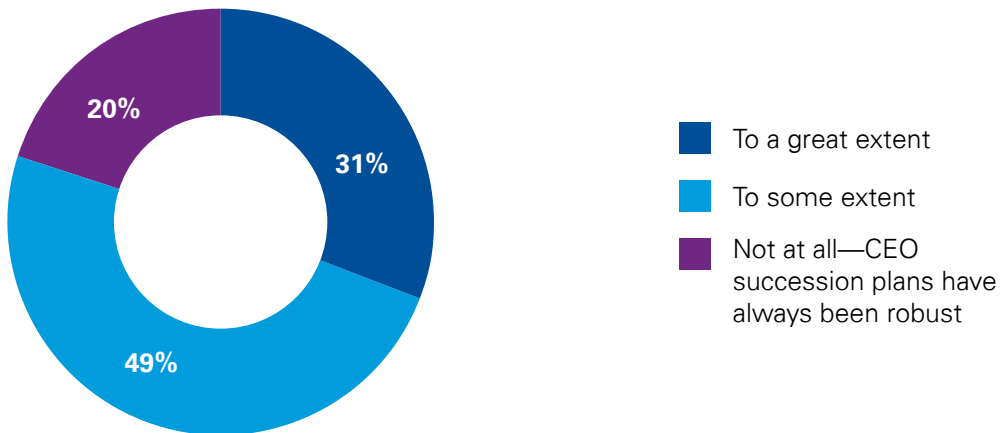
In what ways is corporate America best positioned to help tackle societal problems? (Select up to three.)



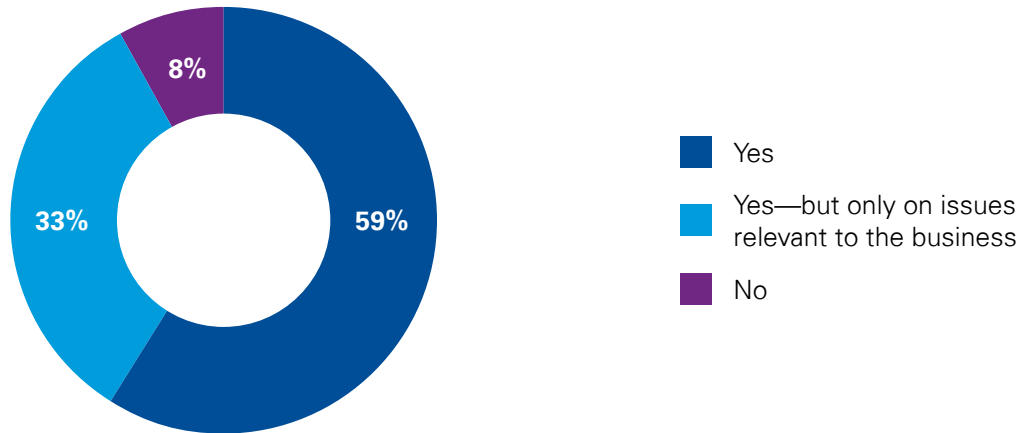
In your view how well has corporate America followed through on stated commitments to drive greater diversity and social equity?



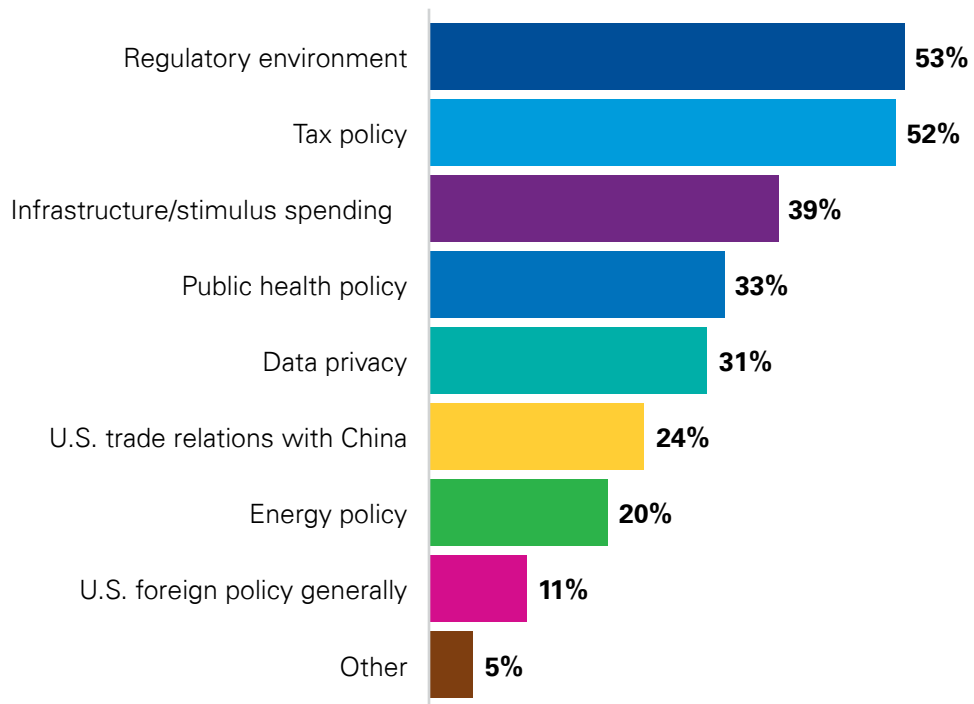
To what extent have the events of the past 12 months heightened your board's focus on succession plans for the CEO and other senior leaders?



In your view, do CEOs have a responsibility to take a stand on social issues?



Which of the following domestic policy issues will your company be monitoring most closely in the months ahead?



About the KPMG Board Leadership Center

The KPMG Board Leadership Center (BLC) champions outstanding governance to help drive long-term corporate value and enhance investor confidence. Through an array of programs and perspectives—including the KPMG Audit Committee Institute, the WomenCorporateDirectors Foundation, and more—the BLC engages with directors and business leaders to help articulate their challenges and promote continuous improvement of public- and private-company governance. Drawing on insights from KPMG professionals and governance experts worldwide, the BLC delivers practical thought leadership—on risk and strategy, talent and technology, globalization and compliance, financial reporting and audit quality, and more—all through a board lens. Learn more at kpmg.com/us/blc.

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