Quick Poll

Are Boards Creating a Leadership Culture?
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Pearl Meyer chaired the 2017 WomenCorporateDirectors Foundation (WCD) Thought Leadership Commission. We began with the premise that company success relies on both a robust business strategy, a strong, talented team to deliver it, and a corporate culture that supports it.

We know that boards are deeply involved in working with senior management to assess, refine, and execute the company’s business strategy. But we wanted to know more about the board’s role in guiding or overseeing talent and/or leadership strategy and how directors are approaching this challenge.

The results of this short survey, developed in conjunction with WCD, of 115 current or former board members helped inform the report *The Visionary Board at Work: Developing a Culture of Leadership* and a summary of the data is presented here.

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Key Findings

- More than two-thirds of board members surveyed indicate companies should more equally balance business strategy and leadership strategy.

- Almost all respondents (90%) believe it is the board’s responsibility to oversee or guide talent and/or leadership strategy.
  - Sixty-seven percent have formally outlined this responsibility;
  - Almost half (48%) have standing agenda items on the topic; and
  - Thirty percent hold management accountable for leadership and/or talent development through incentive compensation.

- However, only 11% of respondents believe that most boards are guiding talent and leadership strategy well.

- Boards appear to generally address their own leadership strategy and talent needs with 55% conducting regular self-evaluations and 42% having informal discussions.

- Just 16% of respondents indicate their own board does not set an example for others when it comes to board leadership strategy. Signaling a positive direction, however, more than two-thirds (67%) recognize they may be doing some things that set a positive example or that while there is room to grow, their board is improving.
Analysis and Recommendations

- In the course of this survey, we found a clear dichotomy between what leading boards agree they should be doing and whether or not that responsibility is being executed well.

- Most boards indicate some attention and traction in the area of leadership strategy and/or talent development, yet there appears to be considerable room for improvement.

- In our report published with WCD, we offer recommendations for visionary boards who are seeking ways to improve corporate leadership, talent development, and culture:
  - Develop talent and the next-generation of leaders below the C-suite;
  - Understand that corporate culture goes deeper than the first level of management and recognize and assess the core values that are shared in the organization;
  - Anticipate change, and embrace and encourage innovation; and
  - Lead by example via the board’s own active leadership strategy and talent management.
The Role of Leadership Strategy

- More than two-thirds of respondents indicate a need to equally balance business and talent/leadership strategies. However, 25% do believe that business strategy is more critical.

- One respondent noted that “In almost all businesses, time spent on leadership development is a small fraction of time spent on budgeting, strategic planning, and financial monitoring, even though choosing and developing the right people is the source of sustainable competitive advantage.”
Almost all of those surveyed (90%) believe the board has the responsibility to oversee or guide talent and leadership, yet only 11% believe boards do this well.

Among survey respondents, an inverse relationship exists between responsibility and execution.
When it comes to formally outlining board responsibility in this area, 67% of respondents indicate their board has done this.

In almost half of the cases (43%), formal responsibility for talent and leadership development falls to the full board. Roughly a quarter each delegate to the compensation committee (27%) and the nomination/governance committee (23%) and in no cases is the audit committee uniquely charged with this role.

One survey respondent noted, "As part of [a recent leadership transition] and due to the company’s growth, we recognize the importance of Talent Strategy and Leadership Development and have a process in place to formally address these issues."
Among those boards who have delegated formal responsibility for leadership and/or talent development to the committee level, few (18%) have taken the step to modify the committee name to reflect a broader scope of oversight. However, more than half (57%) of those committees have taken the step to modify their charter.
Most boards are receiving at least annual reports on talent and/or leadership development. This update most often comes from the management team and HR (43%) or the management team alone (32%). Just 15% of respondents indicate their board and/or committees have not received a report from the company on this subject in the past year.

Most boards at least occasionally have agenda items on the topic. Notably, almost half (48%) of boards in the survey have set standing agenda items and 38% indicate opportunistic discussions.
In general, almost all (90%) of the survey respondents feel the board has an accurate sense of the company’s talent profile and the skillsets of its management team.

Just under a third (30%) have taken the step to outline compensation-based incentives for management, indicating that for these boards, talent and/or leadership development is a corporate priority.
The Board’s Own Leadership and Talent Development

How does the board approach its own leadership and talent development? (Check all that apply.)

- Generally do not address the topic: 13%
- Informal discussions: 42%
- Formal guidelines: 15%
- Regular self-evals.: 55%
- Outside/third-party evals.: 16%

- When it comes to managing the board’s own talent and leadership development, more than 50% conduct regular self-evaluations and 42% have informal discussions.

- However, just 16% work with outside professionals on board evaluations and only 15% have formal guidelines for their own talent planning.

- On board refreshment, one director notes, “[Use a] formal documented process to ID needed skillsets and then a concerted effort to find the needed expertise for the Board…allow the skillsets to inform the ballot rather than the relationships fill the slate.”
When the board conducts self-assessments, its experience and how it works together—interpersonal effectiveness and dynamics—are the most important criteria.

More than half also keep an eye on professional and/or educational diversity (58%) and gender diversity (54%), but less than half are looking at racial/ethnic diversity (43%) and a scant 2% give credence to socio-economic diversity.

On self-evaluations, one respondent said, “Even if we decide not to make specific changes during evaluations, this process allows us to be purposeful in discussing and deciding those attributes which are important and relevant to our board at specific junctures of the company’s lifecycle.”
Does the Board Set an Example?

- Just 16% of respondents firmly say their board does not set an example for others in terms of leadership and talent development, while a similar number (17%) firmly say they do.

- More than two-thirds of boards (67%) appear to recognize that they might be doing some things that set a positive example or they believe that while there is room to grow, their board is actively improving in this area.
About the Survey

Pearl Meyer and the WCD conducted an online survey of current, former, and/or prospective board members between December 2016 and February 2017. Results presented here are based on data obtained from 115 respondents, the majority of whom are currently serving on at least one board of directors. Respondents reside in the Americas, Europe, and Asia.
Almost half of the companies these directors serve are multi-national. A majority are publicly held and almost one third are privately owned.
The WomenCorporateDirectors Education and Development Foundation, Inc. (WCD) is the only global membership organization and community of women corporate directors. A 501(c)(3) not-for-profit organization, WCD has 76 chapters around the world. The aggregate market capitalization of public companies on whose boards WCD members serve is over $8 trillion. Eighty-five percent of WCD members serve on a public, private, or family business board. To learn about the benefits of WCD membership and how to join, visit www.womencorporatedirectors.org.
Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer’s global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston, London, Los Angeles, and San Francisco.