

The Board Travel Policy Conundrum

AUTHOR



Pete Lupo
*Senior Managing
Director*

All global companies would like board representation from business leaders with global experience who live in different parts of the world. They'd also like representation from all regions where significant operations exist. Historically, companies addressed the issue by selecting directors who had past international work experience, or who were retired with sufficient time to travel. However, as companies seek to address additional diversity goals, these criteria can limit the potential pool of candidates.

One answer, of course, is to make better use of technology. In the same way that companies are getting better at accommodating remote workforces, companies can look to leverage technology to “shrink the globe” for boards. That said, the periodic nature of board interaction already presents a challenge to developing working relationships among board members and with company executives. Most boards continue to feel that a minimum number of in-person meetings are necessary to cultivate an effective board governance structure.

So, geographic dispersion of directors continues to be a major challenge. How many senior managers with global experience are willing to endure full days of travel to attend board meetings? Not many.

On the surface, a simple solution might be to bifurcate the board pay program by increasing the pay for directors who live more than eight (pick your number) time zones from company headquarters. While this two-tiered structure would address the additional time requirements for far-flung directors, it raises ancillary issues such as proxy disclosure and lack of market prevalence. Short of a bifurcated pay structure, companies might consider other actions, such as:

- Offer first-class travel for the board director and spouse or significant other;
- Cover the cost of staying a few extra days at the hotel used for board meetings;
- Discuss in advance and agree on whether a director can participate in several board meetings by phone or video conference; and/or

- Agree to hold several board meetings at locations that may better accommodate board members who live outside of the US—this approach might be the “spread the pain” solution.

It is safe to say that the desire and need to have individuals on boards with global experience will become more important over time, not less, and practices can't change unless a handful of companies decide they need to evolve board pay and practices to attract and retain global business leaders. We believe shareholders will embrace different board pay models if a company makes a convincing case for the change. Proxy advisory firms may not support changes quickly, but it is hard to argue that changing board pay and practices to support enhanced governance and oversight is a poor outcome.

Perhaps it's time to change.

About the Author

Pete Lupo is a senior managing director and head of the Atlantic Region. Pete has worked extensively with compensation committees and management covering a variety of needs including the development of total compensation programs covering the senior leadership team, aligning pay to performance, designing annual and long-term incentive plans, developing board of director pay programs, advising on change-in-control, executive benefits, perquisites, and governance-related matters.

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Pearl Meyer

NEW YORK

461 Fifth Avenue, 19th Floor
New York, NY 10017
(212) 644-2300
newyork@pearlmeyer.com

ATLANTA

One Alliance Center
3500 Lenox Road, NE, Suite 1708
Atlanta, GA 30326
(770) 261-4080
atlanta@pearlmeyer.com

BOSTON

93 Worcester Street, Suite 100
Wellesley, MA 02481
(508) 460-9600
boston@pearlmeyer.com

CHARLOTTE

3326 Siskey Parkway, Suite 330
Matthews, NC 28105
(704) 844-6626
charlotte@pearlmeyer.com

CHICAGO

151 North Franklin Street, Suite 450
Chicago, IL 60606
(312) 242-3050
chicago@pearlmeyer.com

HOUSTON

Three Riverway, Suite 1575
Houston, TX 77056
(713) 568-2200
houston@pearlmeyer.com

LONDON

Collegiate House
9 St. Thomas Street
London SE1 9RY
+44 (0)20 3384 6711
london@pearlmeyer.com

LOS ANGELES

550 S. Hope Street, Suite 1600
Los Angeles, CA 90071
(213) 438-6500
losangeles@pearlmeyer.com

RALEIGH

505 Millstone Drive
Hillsborough, NC 27278
(919) 644-6962
raleigh@pearlmeyer.com

SAN JOSE

333 West San Carlos Street
San Jose, CA 95110
(669) 800-5074
sanjose@pearlmeyer.com

**For more information on
Pearl Meyer, visit us at
www.pearlmeyer.com or
contact us at (212) 644-2300.**