



How Talent Strategy and Leadership Development Can Strengthen Corporate Culture

Compensation Series

November 9, 2017

Pearl Meyer



Meet The Presenters



Howard Brod Brownstein is president and founder of The Brownstein Corp., a nationally-known turnaround management firm. Brownstein regularly serves as an independent director. He currently chairs the nominating and governance and the strategic planning and risk assessment committees of P&F Industries Inc., and serves on the board of NHS Human Services. Previously, he was the audit chair of PICO Holdings Inc., and also sole board member of Betsey Johnson LLC. He chaired the audit committees of LMG2 LLC and Special Metals Corp., and served on the board of Magnatrx Corp. He has chaired the boards of the National Philanthropic Trust and a United Way agency, and was a director of a regional bank and a retail department store. He has published more than 80 articles, books, and chapters on turnaround management and corporate governance. Brownstein is an NACD Board Leadership Fellow and president of the NACD Philadelphia Chapter.

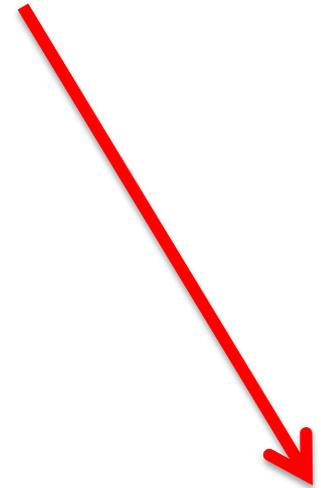


Jannice Koors is a senior managing director at Pearl Meyer and president of the firm's western region. She advises company management and boards on all aspects of executive compensation, including value-based annual and long-term incentive plans, salary structure development, subsidiary pay programs, and performance measure selection. She is a member of the faculty for the NACD Directors Institute programs and has led the data collection and analysis for the Pearl Meyer/NACD director compensation study for more than 15 years. She is also a founding member of the WomenCorporateDirectors' Foundation Thought Leadership Commission.

Submit a question and receive your answer directly from Pearl Meyer. You will also be opted-in to receive future executive compensation thought leadership from Pearl Meyer.

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The presentation slides are available for download at
<https://www.pearlmeyer.com/knowledge-share/webcast/how-talent-strategy-and-leadership-development-can-strengthen-corporate-culture>
and within the webinar console



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The replay and slides will be available early next week at www.NACDOnline.org and www.pearlmeyer.com.

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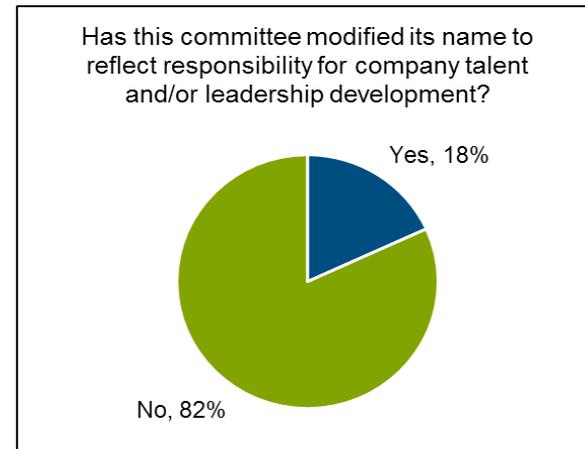
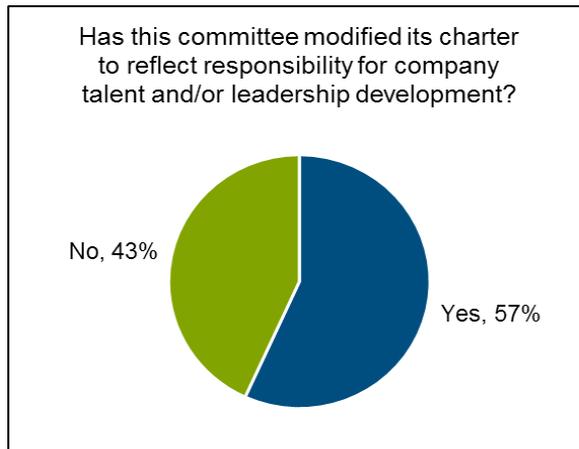
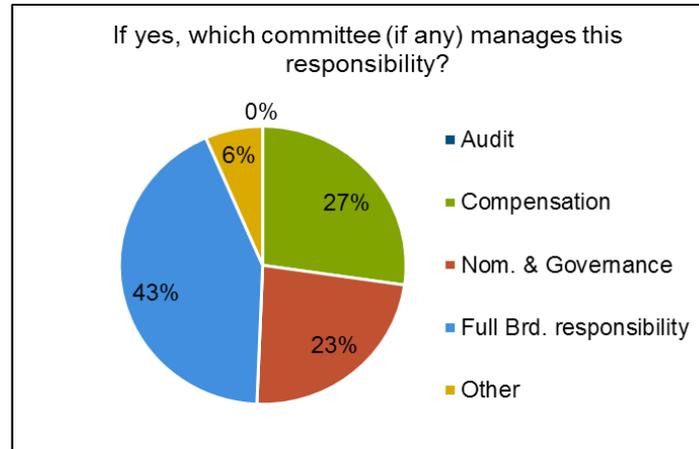
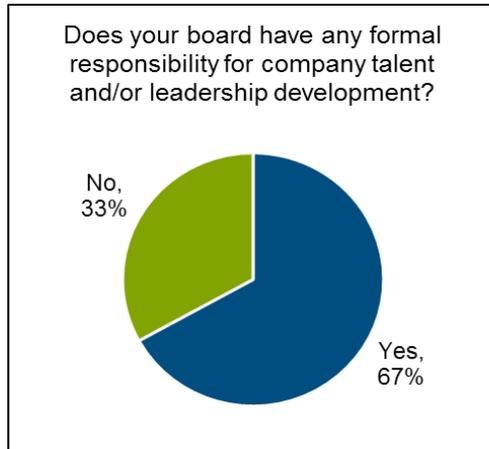
Two roles of the compensation committee are directly connected to culture oversight: talent strategy and leadership development

- Talent management processes should explicitly include cultural criterion and rely on quantitative and qualitative assessments.
- Recognition and rewards systems should reinforce a desired culture and avoid unintended consequences.
- Succession plans include emergency appointees and near-term bench depth, as well as leadership development plans that grow a culturally-aligned management team for the future state of the business.

Talent Management Processes

- Culture begins with the people – hiring, retaining, developing, and rewarding the “right” talent
- Does the comp committee’s name/charter include talent and leadership management?
- Make culture an explicit criterion in the selection and evaluation of the CEO
 - Advocate for the firm’s long-term strategy
 - Leadership style
 - Walk the talk
 - Metrics (e.g., employee satisfaction and engagement; customer satisfaction, safety, etc.)
- Set the expectation that the CEO and senior leaders do likewise with their teams
 - Specific direction to existing functions (e.g., HR)
 - Dedicated role for cultural alignment?
- Ongoing assessment, reporting, refinement
 - How do people get rewarded?
 - What stalls or derails careers?

Formal Board and/or Committee Duty



Source: Pearl Meyer survey, *Are Boards Creating a Leadership Culture?*

Recognition and Rewards Systems

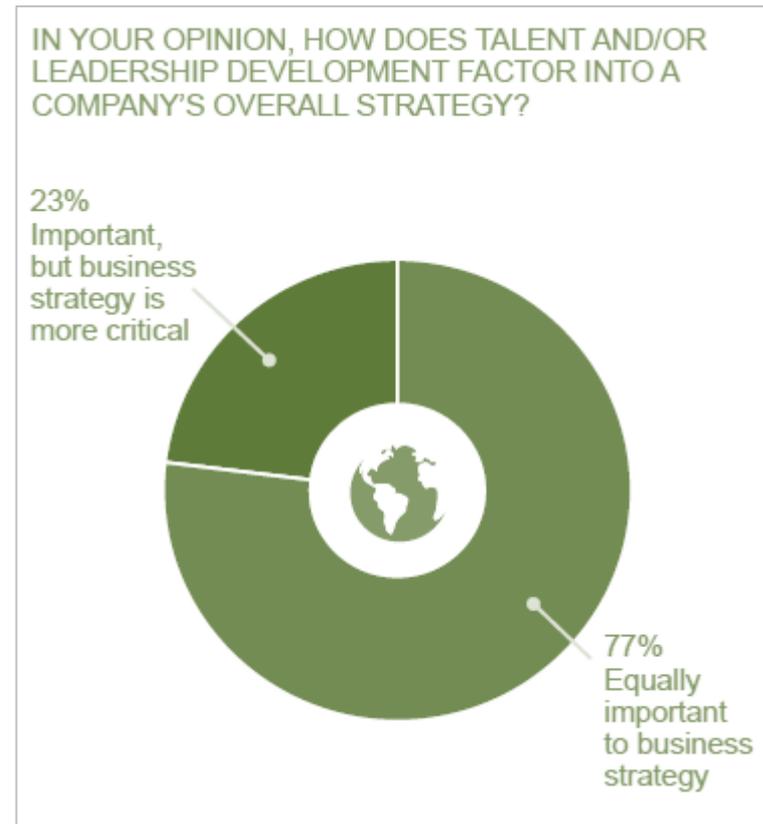


- Boards and compensation committees should consider executive recognition and reward systems in a cultural context
 - Incentive plans
 - Promotion decisions
 - Non-financial rewards
- Ensure desired culture is reinforced
- Consider potential unintended outcomes and avoid encouraging overly risky behavior
- Identify and review the categories of pay programs throughout the organization that can impact culture (e.g., sales compensation, pay programs for business unit heads, etc.)
- Balance goals and metrics
 - Quantitative and qualitative
 - Short- and long-term
 - Relative and absolute
- Ensure assessment is robust, especially with non-financial and/or non-GAAP items

Two-Tiered Succession Plans



- Ready Now/Ready Soon
 - Emergency appointees
 - Back-fills
 - Near-term bench depth
 - Strategy for external recruiting
- Strategic
 - Based on long-term business strategy
 - Develop next-generation leaders
 - Consider what talent will be needed for the future state of the business
 - Rotation, skills matrices, retention strategies
- What's the "shelf life" of each plan?



Source: Pearl Meyer/WomenCorporateDirectors Foundation survey, 2017

Key Take-Aways

- If business strategy defines “what” a company does, then culture and leadership strategy defines “how” a company does it – the board has responsibility for oversight of both.
 - Does the board know the distinct characteristics that define the company’s unique culture?
- Boards need to consider how culture should be incorporated into talent management and leadership development strategies.
 - Talent management
 - Should “culture metrics” (e.g., employee turnover/satisfaction) be included in performance evaluations?
 - In incentive plans?
 - Leadership development
 - Does the succession plan consider personal leadership styles?
 - Does the future “strategic” succession plan consider proposed changes in business strategy and its impact on culture, talent, and leadership needs?



Questions?

Pearl Meyer



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