

**Pearl Meyer**



On Point

TIMELY, ACCURATE, INSIGHTFUL

**Workforce Disruption**



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## Introduction

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This brief survey was conducted online in November 2019 in order to gather data and insight for the Pearl Meyer/WomenCorporateDirectors' Thought Leadership Commission Report *Work Has Changed: How Boards Navigate Disruption and Drive Human Capital Transformation*.

We received 211 complete surveys from board directors and members of senior management. They provided information on changes taking place in the workforce at their organizations, the level of engagement, and the impact of technology and flexibility. We also asked about leadership development and succession planning and how involved boards are becoming in the active management of human capital.

The results show that the broad workforce is an area no longer “off limits” to board oversight, and in fact, many directors and management teams view the board’s involvement as critical to the ongoing success of the enterprise.



## Key Highlights

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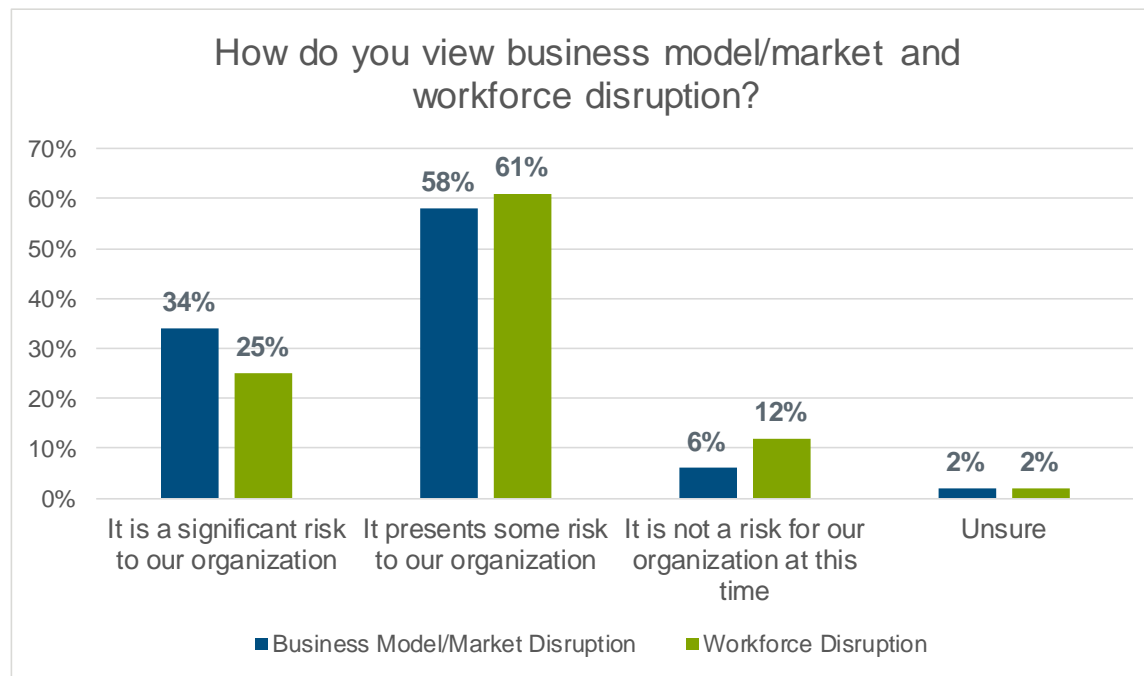
- Almost all respondents (86%) view workforce disruption as a potential risk to their organization.
- Almost three-quarters (71%) of organizations have difficulty hiring the right skillsets for their business.
- Boards have multiple reasons for getting more involved in human capital management, but overwhelmingly the primary objectives are to mitigate business risks (82%) and ensure there is the right talent available to execute the business strategy (80%).
- A third of boards are reviewing trends and issues related to the workforce at least once a year, and 27% are having these discussions at every board meeting.
- Understanding employee engagement may be an area for improvement. It is perhaps telling that the most common way organizations track employee engagement is through exit interviews (63%).
- Overwhelmingly, more than 90% of respondents view compensation and benefits programs as an effective way to manage workforce change.
- More emphasis on CEO succession may also be warranted. Sixty-three percent of respondents say their board does not have a named successor to the CEO and for those boards with a CEO succession plan, just half (49%) assess that plan's viability once a year.



# Workforce Management and Change

## Business Model/Market and Workforce Disruption

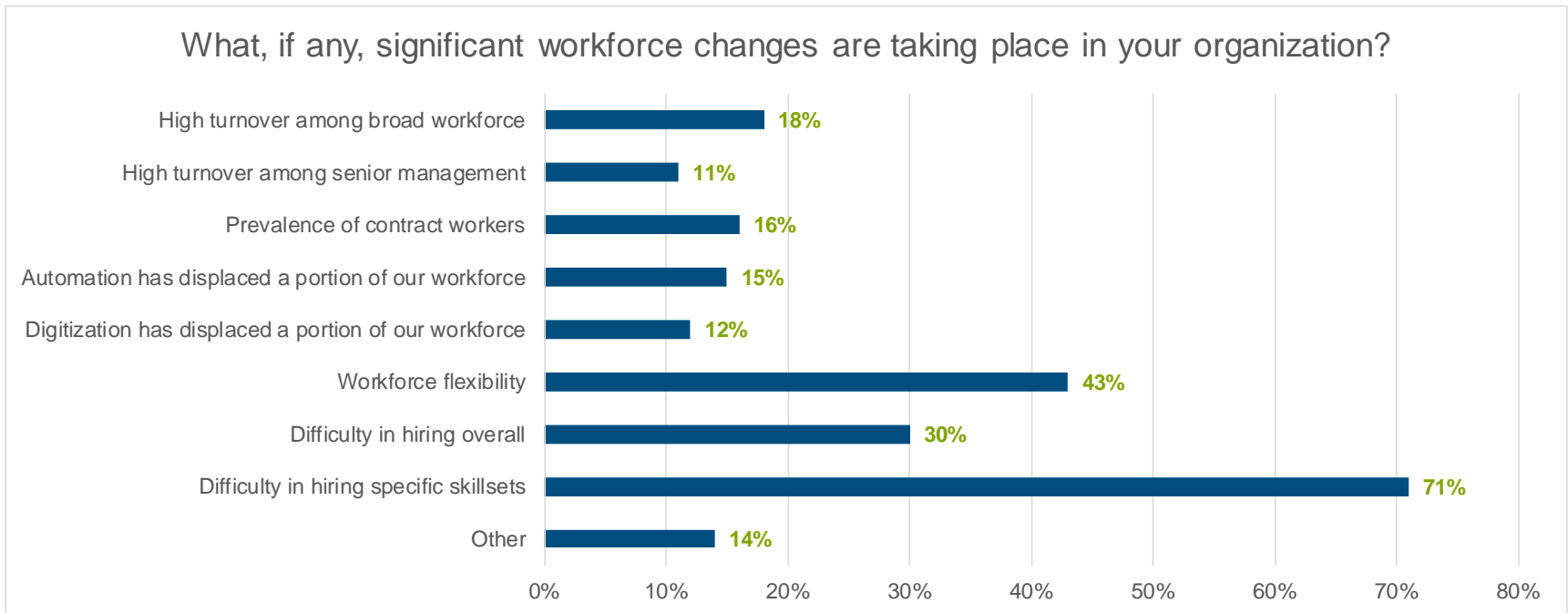
When it comes to “being Amazoned,” almost all survey respondents (92%) recognize some or even significant risk of disruption to their organization’s business model and/or market. Similarly – and surprisingly – almost all (86%) also see the potential for workforce disruption to impact the organization.



# Significant Workforce Changes

There is a wide variety of workforce changes taking place. Many are experiencing the disruption of high turnover, contract workers, and the displacement of workers by automation and digitization.

Significantly more are managing demands for flexibility and the overall difficulty in hiring, while almost three-quarters of respondents (71%) are having difficulty finding the specific skillsets needed for their business.



# The Board's Involvement in Human Capital Management

Boards have multiple reasons for getting more involved in human capital management, but overwhelmingly the primary objectives are to mitigate business risks (82%) and ensure there is the right talent available to execute the business strategy (80%).

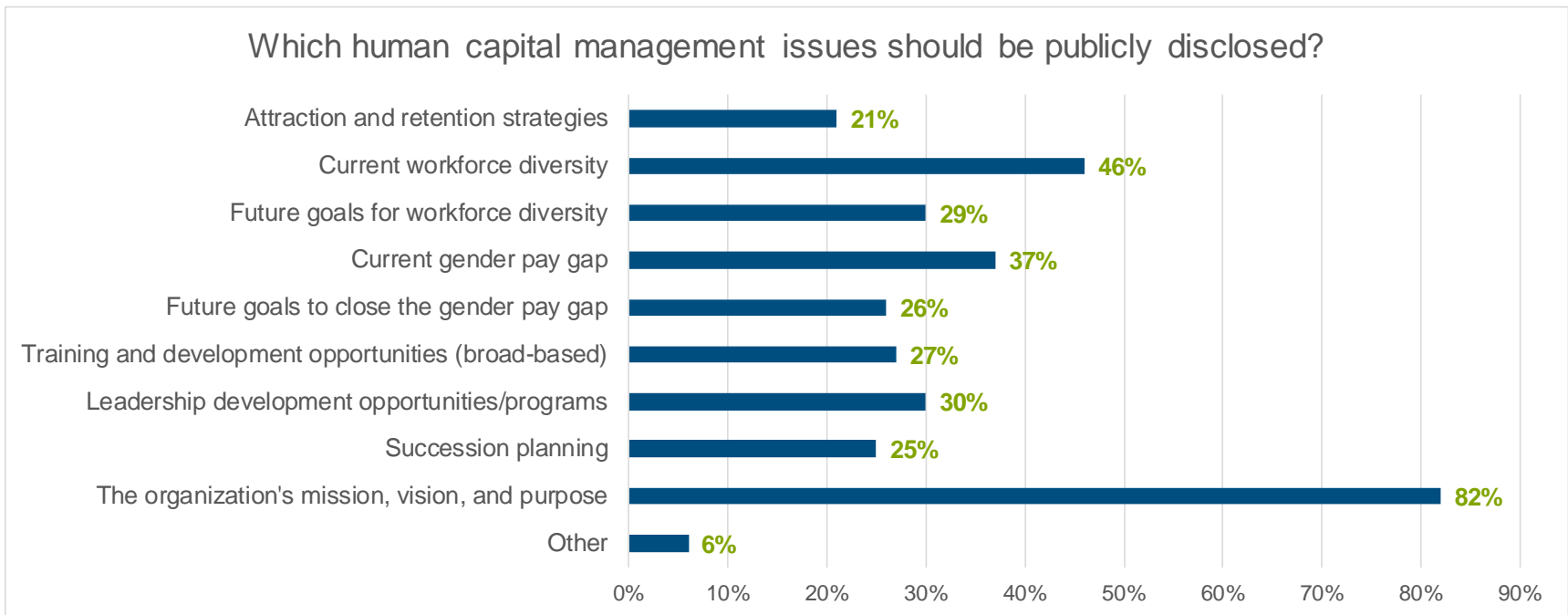
Perhaps in line with the growing ESG movement, more than a quarter of respondents (27%) view the board's more active interest in the management of the workforce as a philosophical or moral imperative.





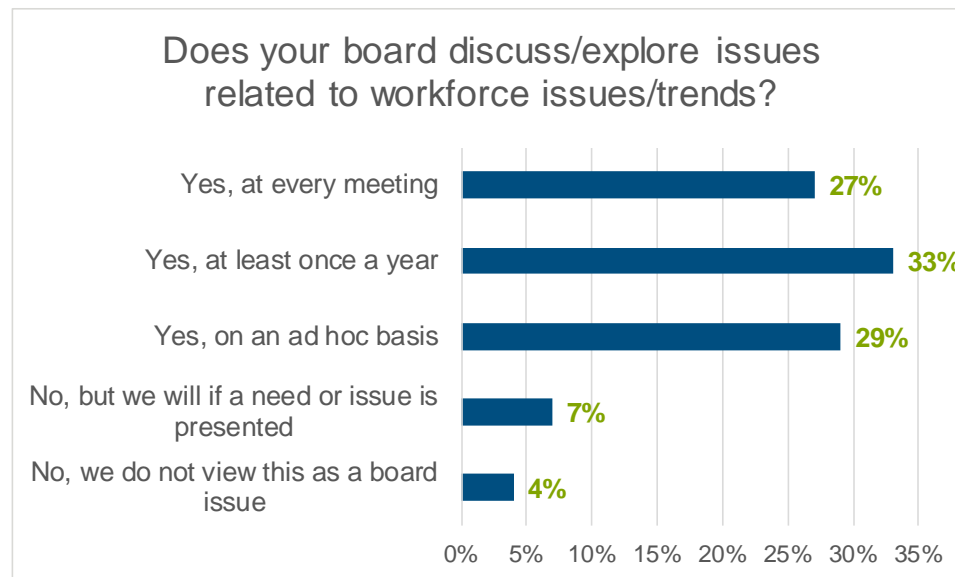
# Public Disclosure of Human Capital Management Issues

Twenty-seven percent of respondents noted “proactive self-regulation” as a reason for boards to get involved in human capital management (see previous slide), perhaps sensing formal regulation and/or disclosure requirements on the horizon. When it comes to which human capital management issues should be publicly disclosed, current workforce diversity (46%) and overwhelmingly, the organization’s mission, vision, and purpose (82%) are viewed as the top themes.



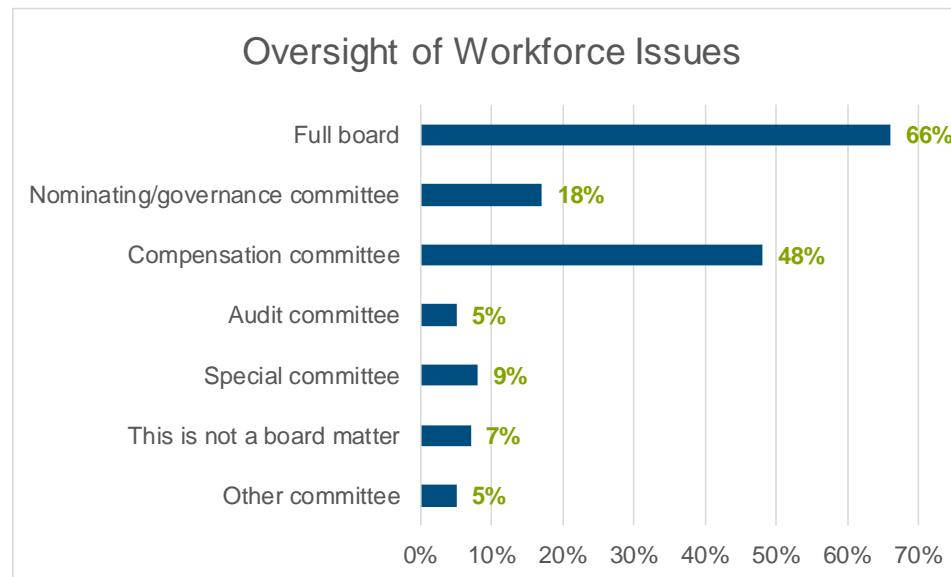
## Frequency of Workforce Trends and Issues Review

A third of boards are reviewing trends and issues related to the workforce at least once a year, and 27% are having these discussions at every board meeting. Just 4% of those surveyed do not view workforce concerns as a board issue.



## Board Oversight of Workforce Issues

As workforce-related discussions are taking place among directors, the full board (66%) is largely tasked with oversight. At the committee level, it is the compensation committee that is most often tasked with this responsibility (48%), with the nominating/governance committee trailing in second at 18%.

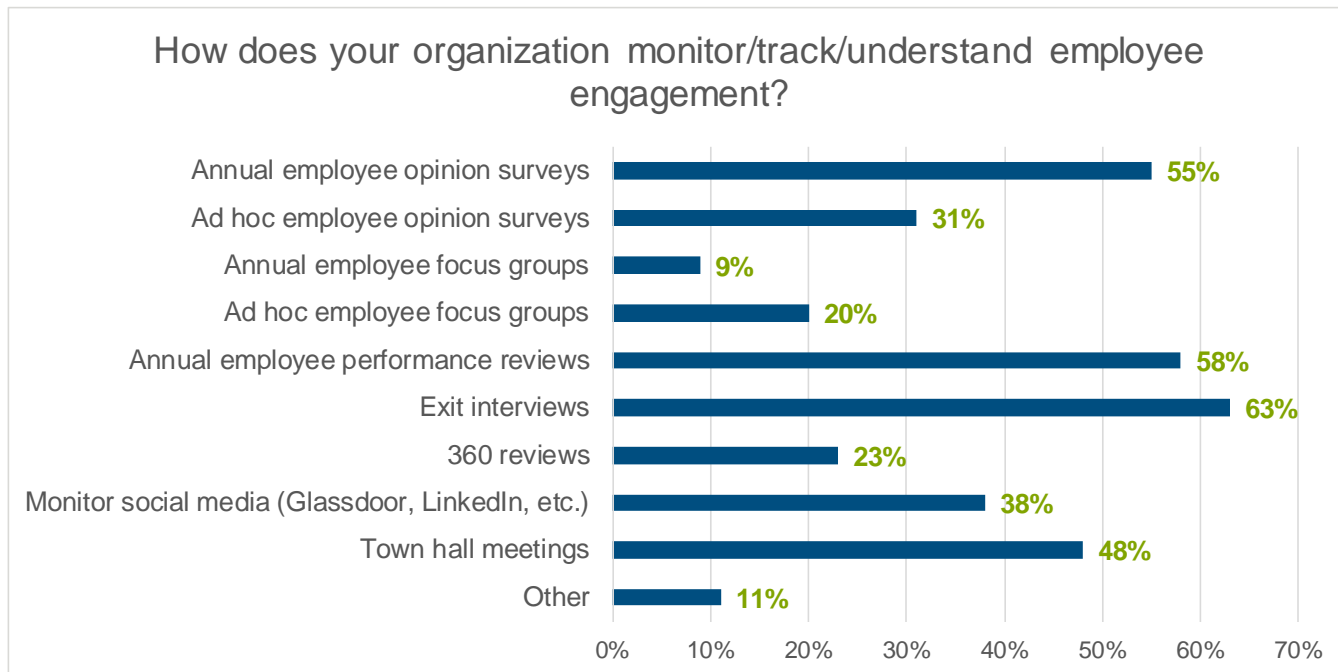




# Engagement

# Understanding Employee Engagement

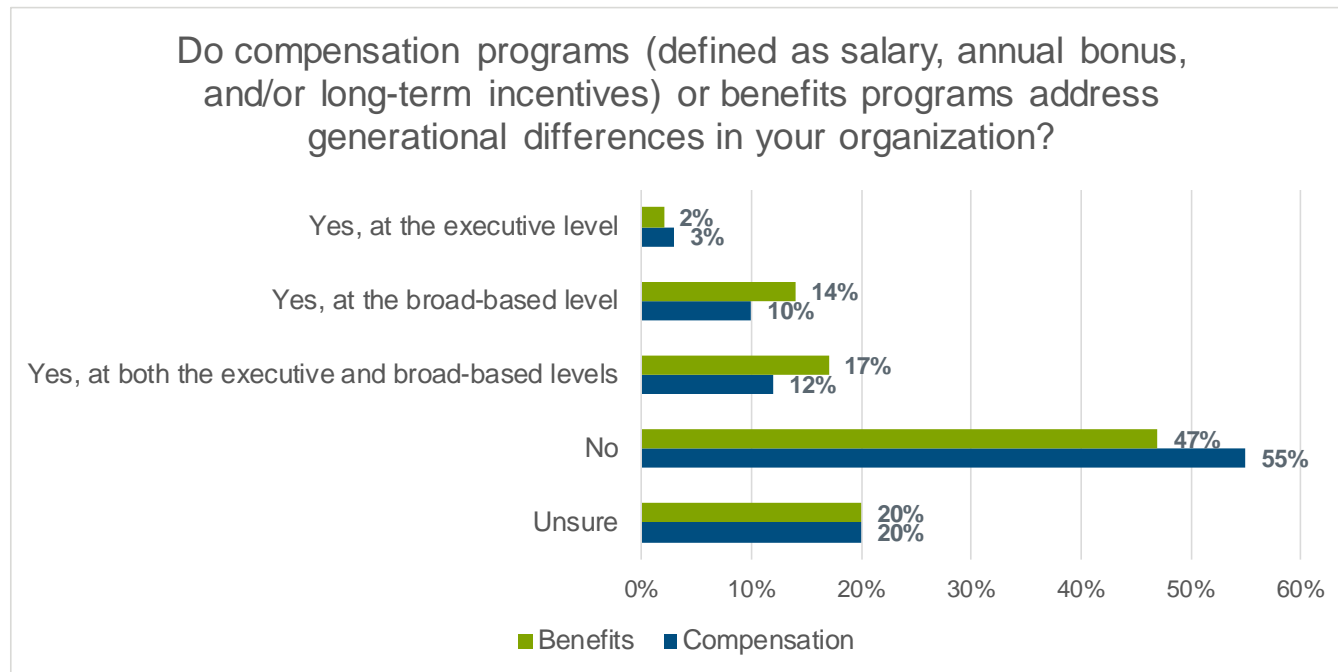
It is perhaps telling that the most common way organizations track employee engagement is through exit interviews (63%). Annual performance reviews, annual opinion surveys, and town hall meetings are more formal methods used by about half of the respondents' organizations but may not facilitate real dialog. Less common but potentially more open forums, like focus groups and 360 reviews, may provide senior management and the board with more useful information about employees' views.



# Addressing Generational Differences Through Compensation and Benefits

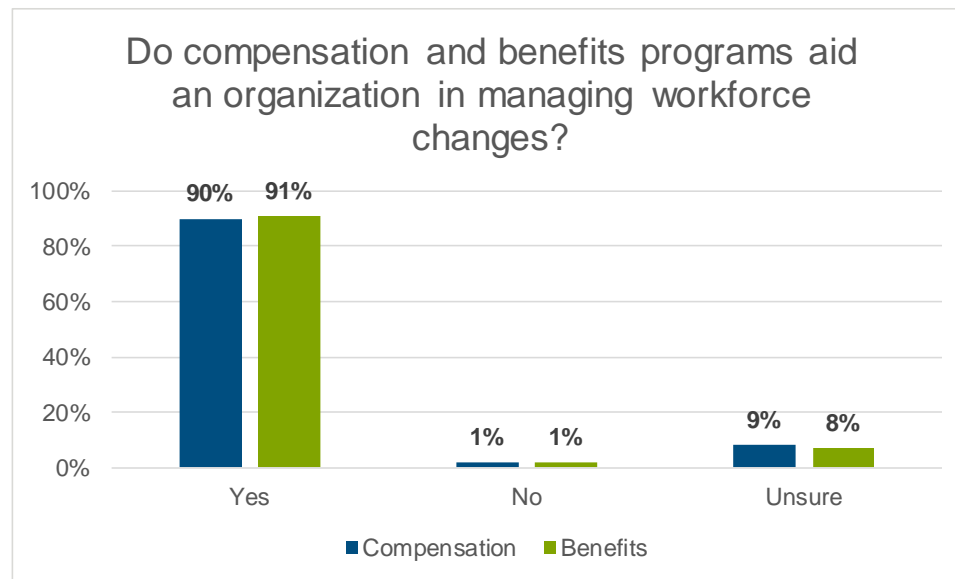
About half of the organizations surveyed do not have customized compensation and/or benefits programs designed to appeal to different generations, although 20% of respondents report they are unsure whether or not these unique programs exist.

When utilized, customization is slightly more common when applied to both the executive and broad-based levels, rather than just one or the other.



# Managing Workforce Change with Compensation and Benefits

Overwhelmingly, respondents view compensation and benefits programs as an effective way to manage workforce change.





# Succession Planning and Leadership

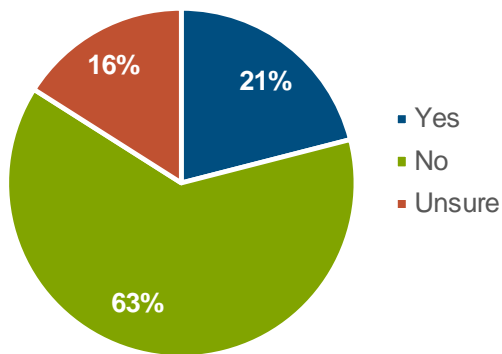


# Boards' Management of CEO Succession Planning

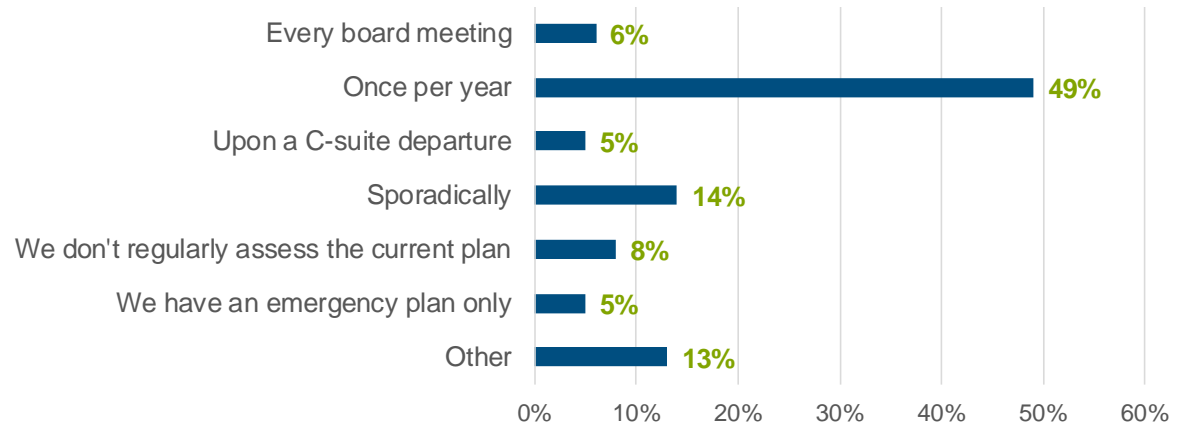
Sixty-three percent of respondents say their board does not have a named successor to the CEO.

For those boards with a CEO succession plan, just half (49%) assess that plan's viability once a year.

Does your board have a named successor to the CEO?



How often does your board assess the viability of the CEO succession plan?



## Deep-Bench Succession Plans

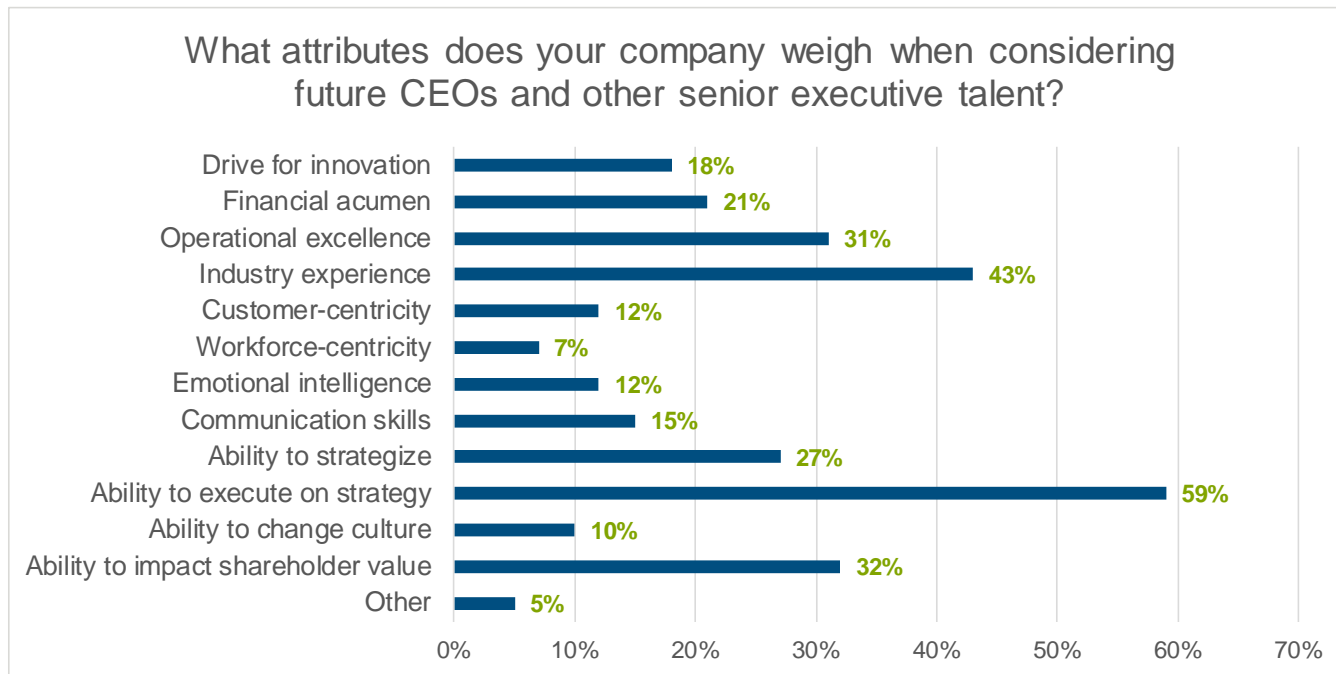
A quarter of boards are thinking long-term about succession planning and leadership development by looking at two or more levels below the CEO. Thirty-five percent are going beyond just the top five to include all of the CEO's direct reports.



## Desired Traits of the CEO and Senior Management

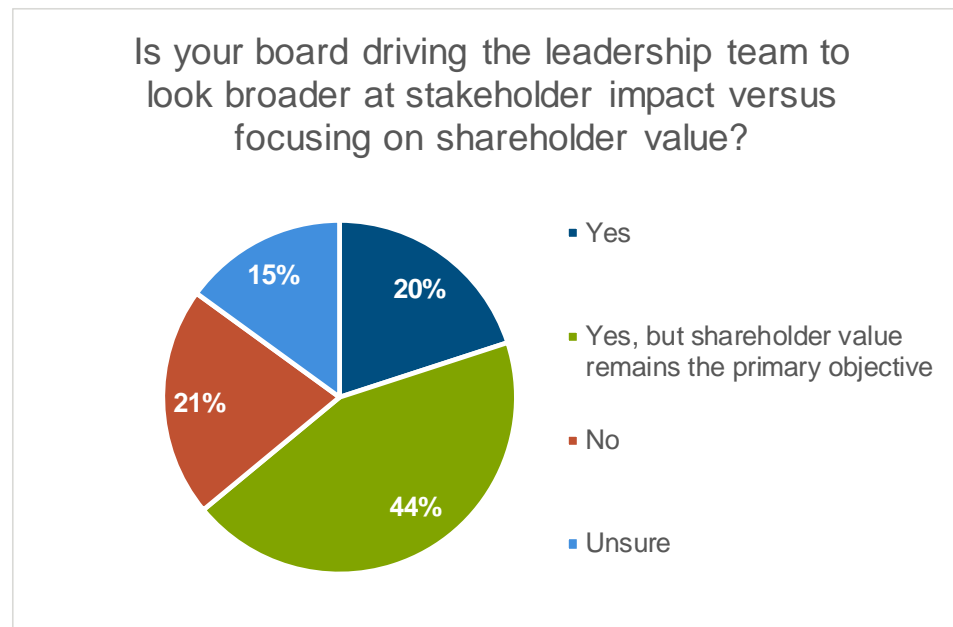
The ability to *execute* on strategy is overwhelmingly the most favorable attribute among prospective CEOs and senior executives (59%), while just over a quarter emphasize the ability to strategize (27%).

Emotional intelligence, ability to shift culture, and a focus on the workforce are extremely low on the list of desirable attributes.



## Leadership: Stakeholder Impact versus Shareholder Value

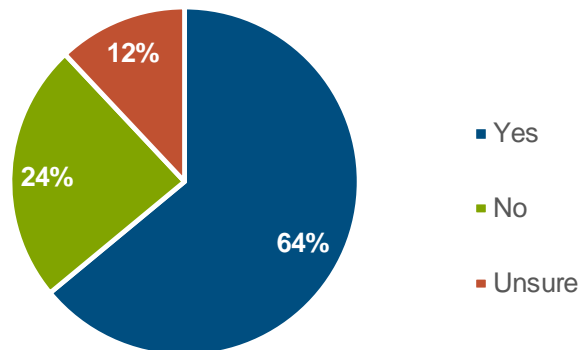
Almost two-thirds (64%) of respondents indicate their organization's board is at least encouraging the management team to look beyond just shareholder value and consider the wider stakeholder impact.



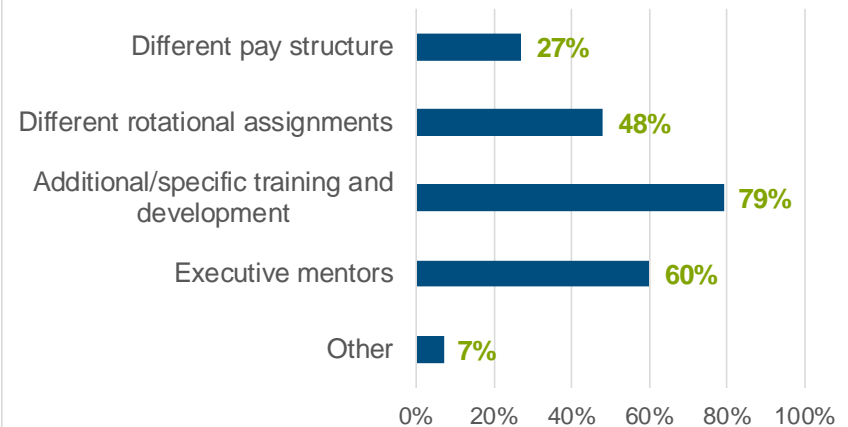
# Supporting High-Potential Talent

Almost two-thirds (64%) of organizations have processes in place to support high-potential talent. A majority (79%) focus on delivering extra training and development opportunities and an executive mentor (60%). Many (48%) offer rotational assignments to expand experience and almost a quarter (27%) offer a different compensation structure.

Does your company have a process in place for supporting high potentials?



How does your company recognize/support high potentials?

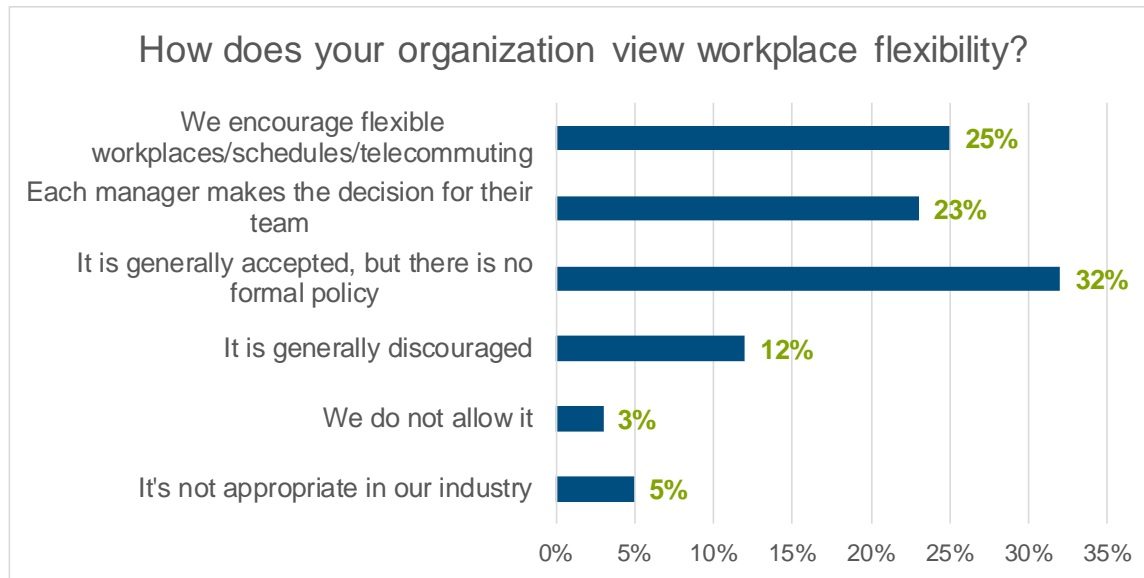




# Flexibility and Technology

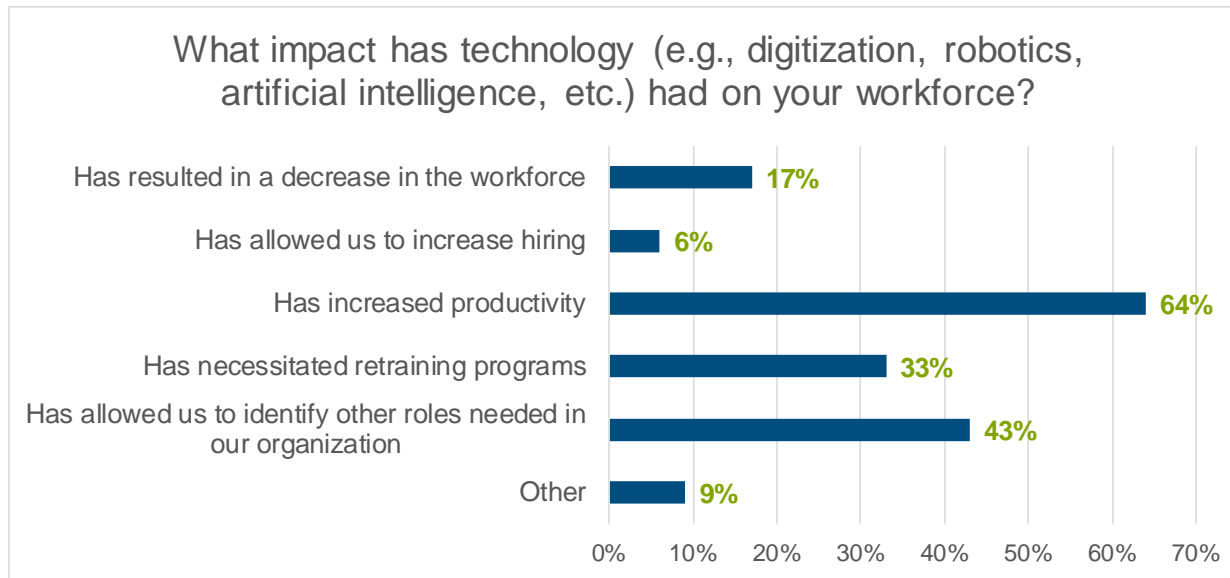
# Workplace Flexibility

Just 20% of responding organizations either discourage or don't allow workplace flexibility, while a quarter actually encourage employees to telecommute and/or flexibly manage their workplace and schedules.



## The Technology Impact

While increased productivity is a clear benefit of technological advances for 64% of responding organizations, that benefit is countered by a decrease in the overall workforce for 17% of respondents. Many organizations are, however, identifying other needed roles (43%) and embarking on retraining programs (33%).



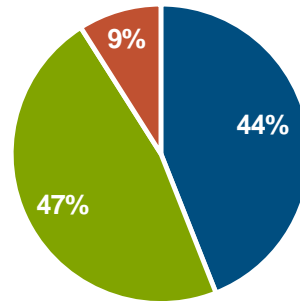




# Survey Demographics

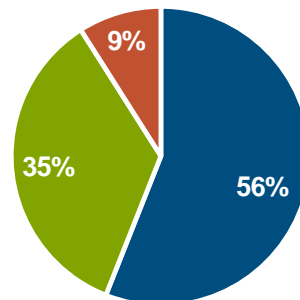
# Demographics

### Respondent Role



■ Director ■ Employee (including CEO) ■ Other

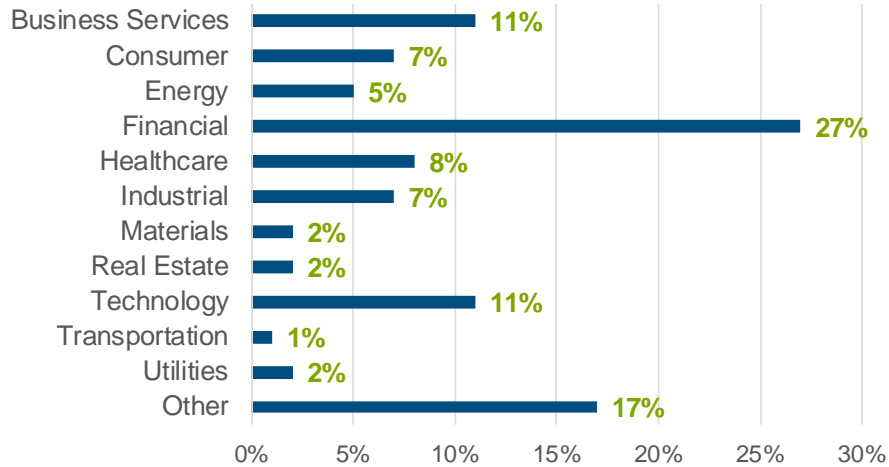
### Organizational Ownership



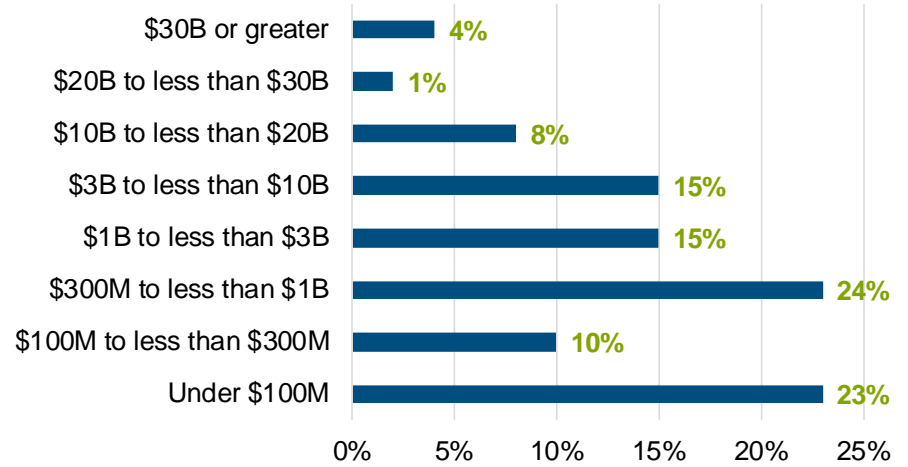
■ Public ■ Private, for profit ■ Private, not for profit

# Demographics

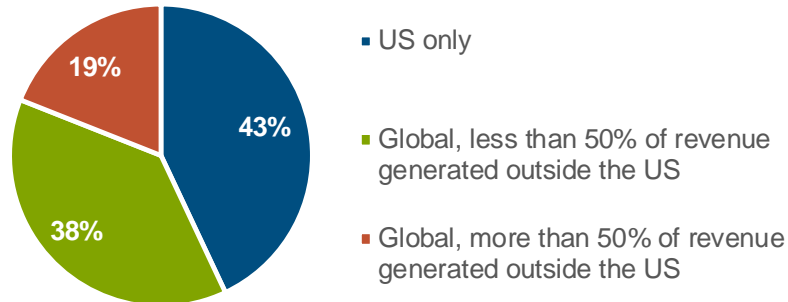
## Industry



## Revenue Range/Asset Size



## Geography





## About Pearl Meyer

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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 Atlanta, Baltimore, Boston, Charlotte, Chicago, Houston, London, Los Angeles, New York, Raleigh, and San Jose.



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