Pearl Meyer

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The Board's Role in Culture: Innovation



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Transcript

Jan Koors: Phyllis, when we worked together on a similar report for the WomenCorporateDirectors, you had suggested that companies need to be more opportunistic about cultural issues, rather than defensive. Can you talk a little bit about how that plays into both culture and compensation?

Phyllis Campbell: Well, when I think about particularly the compensation committee, I always think risk should be a part of it, so I think in any incentive plan, in any program throughout the organization, the comp committee should look at strategic alignment, but also the risk side of the types of plans and the levels of achievement and the hurdles, and so on.

But I think the opportunistic side that boards are beginning to talk about is, what kind of talent and leadership do we want for the future? The opportunistic side to me is in the leadership development and management side, where we ask, "Who are the people that we want to promote? Who are the people that we want to showcase? Who are our future leaders of this company?" And alignment with culture is so, so important, and making sure that you're bringing on the right people, making sure that you're rewarding and promoting the right people.

That's probably the opportunity side that I see. I think comp committees, by and large, are doing a pretty good job with the risk and the calibration of plans, but the strategic alignment of the people who drive the results, I think, are what's really important, and certainly their

alignment with the culture of the company.

Jan: How do you think about opportunistic and futuristic? I mean, how do you think about how opportunity plays into where the company is going, versus where it currently is?

Phyllis: Oh sure. Okay. Well, I think the opportunity side's really interesting, because so many boards and management teams get stuck on success and things that we did that got us to where we are today. In some cases, we look backwards and congratulate ourselves on what brought us here. Sometimes we look at today and say, "Aren't we doing well? Everything's going great."

But the thing that we miss is that we've got innovation all around us. We've got fast-changing circumstances. How are we adapting our strategies? How are we adapting our people strategies, especially, to the future go-forward business model and/or environment for the company? That's a lot harder, because a lot of it's unknown.

I think that's the new area for boards to explore is, what's the future look like, and how is it different, and how are the people different, how are the comp plans different, while hopefully not compromising too much on the culture.

Dave Swinford: Phyllis, you mentioned innovation, and it's one where we talk ... people talk all the time about how do we get more innovation? What can we do with the incentive plans? I think it's really a great opportunity for the compensation committees that are now focused on talent development, for example. So, if you want a more innovative culture, what kinds of people do you need? How do you design your compensation programs to acquire those people and to keep them happy and retain them?

For example, in many areas, that's going to be some kind of person with a scientific background. When you start to think about scientists in organizations, they tend to thrive on the opportunity to compete, and to be recognized for their achievement. That's part of the culture of science. It's part of the culture of engineering. So, make sure that you pay adequately to get the talent that you need, of course, but then, focus on things like recognition systems with major awards that give them a lot of organizational respect and play for coming up with something that is truly different and unique. Then, of course, follow up and make sure that the culture supports turning that into a viable product that you can make money on.

Phyllis: Well, the other side of it too is that you may have to shift the culture a bit, though I think culture is somewhat immutable. If you're talking about more innovation, you've also got to talk about the ability to reward failure.

Jan: Right.

Phyllis: Make sure that mistakes are tolerated, because by definition, if you're going to be in the middle of a lot of change and innovation, you're probably going to make some mistakes. How does the company treat that? How does ... Is failure actually tolerated, and maybe, in some senses, rewarded?

About the Author

Jan brings 30+ years of executive compensation and governance experience, advising boards and management on strategic human capital decisions tied to long-term value creation.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.