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The Compensation Committee's Role in Driving a Successful People Strategy



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Compensation committees are being asked to oversee far more than executive pay. In recent years, their remit has expanded into talent development, succession planning, culture, diversity, and broader human capital oversight. Many companies have responded by creating dashboards and standard reporting, which are useful but insufficient. To truly fulfill their governance role and add strategic value, committees need to move beyond monitoring and into discussing and shaping how human capital drives long-term organizational success. The focus of best-in-class compensation committees should be to identify key strategic priorities or challenges in the human capital space that will have a true impact on performance. The dashboards are great—just use them as context for the bigger conversation.

Below are sample questions to use as springboards to have the “right” types of human capital discussions so that committees gain actionable insight, identify risks early, and help management build competitive advantage.

1. What core capabilities does the organization need today and in the future? What are the implications for leaders?

The successful execution of any corporate strategy typically depends on one or more of a handful of distinctive capabilities—such as innovation, efficiency, consistency, or customer focus—critical to winning in the market. Committees should press for clarity on which capabilities matter most and where they must reside (enterprise-wide, within specific functions, or concentrated in key roles). A gap analysis against those needs can then guide whether talent must be built internally or acquired externally. This type of discussion helps committees assess not just whether the organization has the right people in the right roles today, but whether it is building the workforce to deliver tomorrow.

Equally important, committees should identify the leadership capabilities required to drive future success, then use them to assess and develop the top leadership team and levels below.

- When to do this: Deep dive once a year with progress updates at each regularly scheduled committee meeting.
- How to do this: Typically a discussion document format—slides with analysis and commentary as appropriate.

2. How is the executive leadership team functioning as individuals and as a collective?

Strategy execution is only as strong as the team charged with leading it. Committees should expect regular updates—typically from the CEO with CHRO input—on executive performance, team dynamics, and leadership changes. This can include assessment of individual leaders (against required leadership capability as noted above), cohesion of the group, and readiness of successors. Directors often find this dialogue among the most engaging, and it provides a direct line of sight into whether leadership is aligned, resilient, and positioned to deliver on the company's priorities.

- When to do this: CEO updates at each regularly scheduled committee meeting. Leadership assessment and development discussions may be undertaken a few times a year.
- How to do this: CEO updates are typically a verbal-style agenda item with no slides or details. Performance discussions at year end around compensation matters may take a different approach, as could discussions related to assessment and development of leaders—typically sharing goal achievements, developmental progress, and summary assessment reports.

3. What does the organization's overall health look like?

Financial results show outcomes, but human capital metrics reveal the underlying conditions that drive them. Employee engagement scores signal workforce morale and retention risk. Diversity metrics demonstrate whether the company is cultivating a broad talent pipeline and leveraging varied perspectives that drive innovation and better decisions. Span of control analysis highlights whether leadership structures enable agility

or create bottlenecks. By tracking and interpreting these signals, committees can spot emerging cultural or structural issues early, before they threaten execution.

- When to do this: Deep dive on engagement scores once a year and reflecting back on this information throughout the year as needed, with updates on other topics, at each regularly scheduled committee meetings.
- How to do this: Typically a dashboard reporting format with key highlights. Engagement-type work should include more details.

4. Does the organization have the right culture to drive future success?

Organization culture can be an elusive element, but it is the strongest determinant of future performance. The committee should actively discuss the current culture and what might be needed for the future. Aspects of culture often cited as needing improvement include organizational speed, ability to pivot, and accountability. Engagement scores can provide insight into some of these areas, and the management team can also be a valuable source of anecdotal data to add to the overall conversation about culture.

- When to do this: Have the culture discussion at least once a year when the engagement score data are available, with updates on other topics at each regularly scheduled committee meeting.
- How to do this: Discuss in the context of the business strategy. What must this organization be able to do to achieve this vision? What kind of culture is required? Where are we today with culture and what needs to change going forward?

5. And lastly, what about succession? Who are the likely leaders of the future?

Typically, the CEO and CHRO will address executive succession with the compensation committee or nominating governance committee, as well as with the broader board. The compensation committee can partner with the CEO and CHRO to have robust discussions about potential CEO candidates as well as potential successors for other C-suite roles. In addition to discussing strengths and areas for development for each succession candidate, the committee should also ask tough questions about whether the talent bench is deep enough and strong enough to meet future organization needs, as well as how key leaders will be developed in time to take on these new roles.

- When to do this: At least twice a year. It’s never too early to start the discussion about CEO succession.
- How to do this: High-level review of assessment findings for each candidate, as well as review of development plans and progress against plan. The CEO and Chair can drive this discussion.

Compensation committees can—and should—deliver strategic, organization-wide value

When committees broaden their oversight from compliance-focused reporting to strategic dialogue, they elevate their role from pay stewards to organizational stewards. This approach not only meets growing investor and regulatory expectations but also positions the committee as a critical partner in shaping the company's long-term resilience and growth. The challenge—and the opportunity—is to ensure that conversations about human capital are not just check-the-box reviews but catalysts for building the workforce advantage that will define future success.

About the Authors

Terry leads the Life Sciences practice and advises companies from venture-backed to multinational on executive compensation strategy, incentive design, governance/disclosure, and transaction-related arrangements.

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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.