Pearl Meyer

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The Compensation Committee Blueprint

"In years past, we have counseled boards to go beyond best practices, to raise the bar and avoid standard executive compensation design, and to think strategically and act decisively. Those approaches are even more relevant in today's governance climate. We believe that boards are likely to encounter unforeseen and perhaps unpredictable challenges. Should our compensation committee expand its role to encompass broader talent management responsibilities?"

That 2017 introduction to Pearl Meyer's annual "Top Five" issues for the compensation committee set the stage for an evolving dialog that has grown more robust—and more real—over the last six years. As we fast-forward to 2023 and reflect on the recent publication of NACD's landmark guide *The Future of the American Board*, the compensation committee is more than it has ever been: more strategic, more planful, more diverse, and more attuned to issues far beyond executive compensation. In short, this committee is more central than ever before to the effective governance and performance of any public or private company.

What does that mean for the visionary directors who serve on today's compensation committee? Certainly it means more responsibility, time, and effort. It also means there are many of the same practical and intellectual demands on these directors as there are on management teams, including the need for a deeper understanding of broader workforce dynamics and a recognition that human capital may be the make-or-break factor in the long-term success of an organization.

Ongoing discussions over the years with directors across industries, geographies, company sizes, and stages have revealed that the pressure is intense. If, when, and how to expand the scope of the compensation committee beyond its traditional purview is not a binary decision based on a single conversation. To accompany those on this journey—no matter how early-stage or well on their way they may be—this guide will:

1. Explore some of the irreversible and universally impactful tipping points that have set us all on this path;
2. Provide real-world examples—from directors—of how committee discussions and deliberations are evolving;
3. Outline some milestones that can help indicate when your committee may be ready to fully and formally embrace the synergy of compensation and leadership development; and

4. Walk through the practical, process-oriented actions that must take place as committee governance advances.

This blueprint for the next-generation compensation and human capital committee is based not only on the extensive work of leading consultants in executive compensation and leadership development, but also on the first-hand experiences and expertise of forward-thinking and change-oriented directors. The collective insight, advice, and encouragement to transform in service of a broad set of stakeholders will lead to multiple positive outcomes and ultimately, 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.