



Institute of Corporate Directors  
Institut des administrateurs de sociétés

# DIRECTORLENS

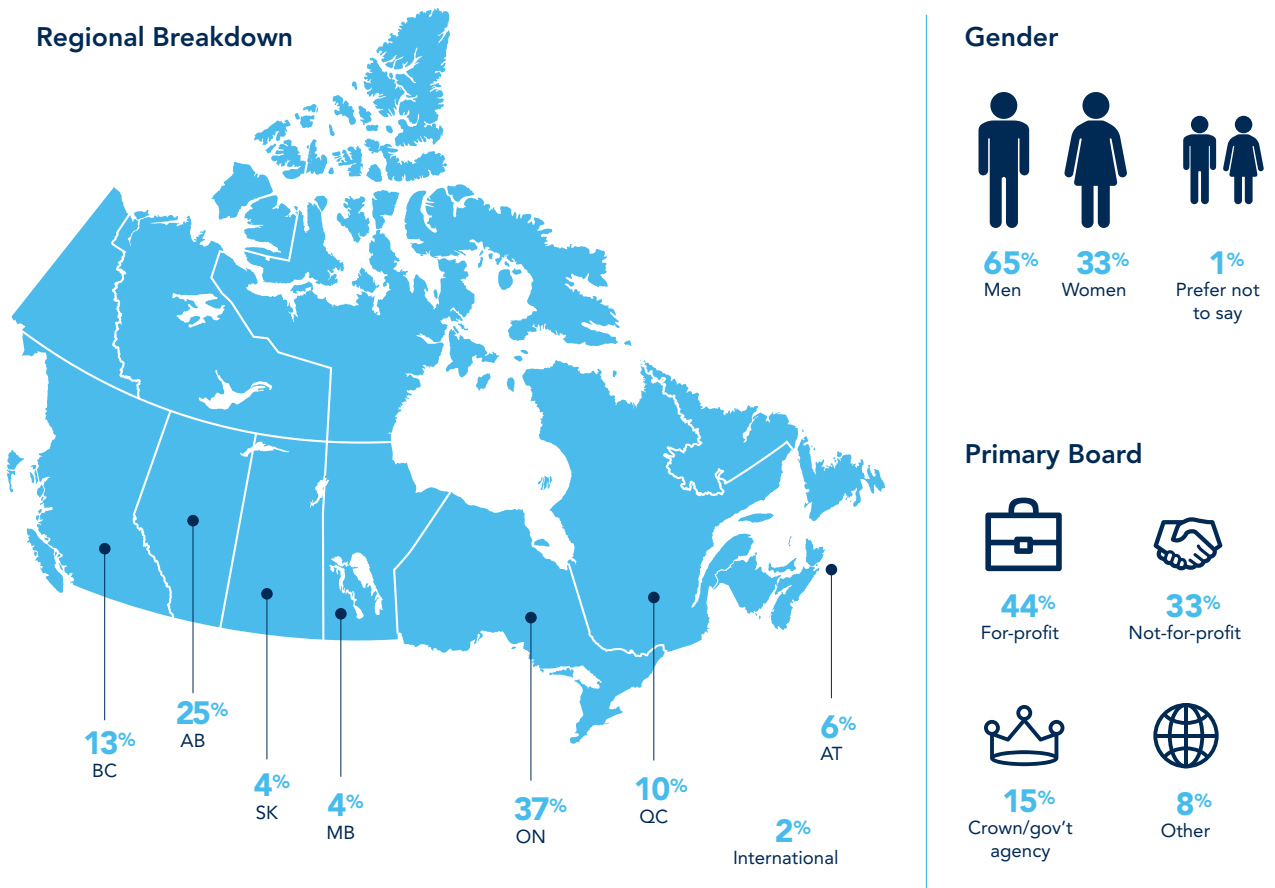
SURVEY FALL 2017

**DIRECTORS ARE THE LEADERS WHO APPROVE AND OVERSEE CORPORATE STRATEGY AND APPROVE MAJOR CAPITAL SPENDING DECISIONS. THEY ARE CHARGED WITH THE LONG TERM STEWARDSHIP OF CANADA'S ORGANIZATIONS.**

The Fall 2017 Director Lens Survey measures the perspectives and intentions of Canada's Directors on global and Canadian economic and political stability, boards' 2018 capital and R&D spending plans, the role of boards in encouraging innovation and the impact of broader societal issues on strategic deliberations in the boardroom.

The context within which organizational leaders must make decisions is shifting. Our surveys help inform the ICD's members and stakeholders, including policy makers, by offering the insights of Directors on pressing issues impacting Canada's employers, workers, investors and managers.

This survey was conducted by Environics Research with 684 ICD members between September 29 and October 23, 2017, yielding a response rate of 5.7% overall. A sample of this size produces results that can be considered accurate to within +/-3.8 percentage points, 19 times out of 20.



# CONFIDENCE IN CANADA, UNCERTAINTY BEYOND

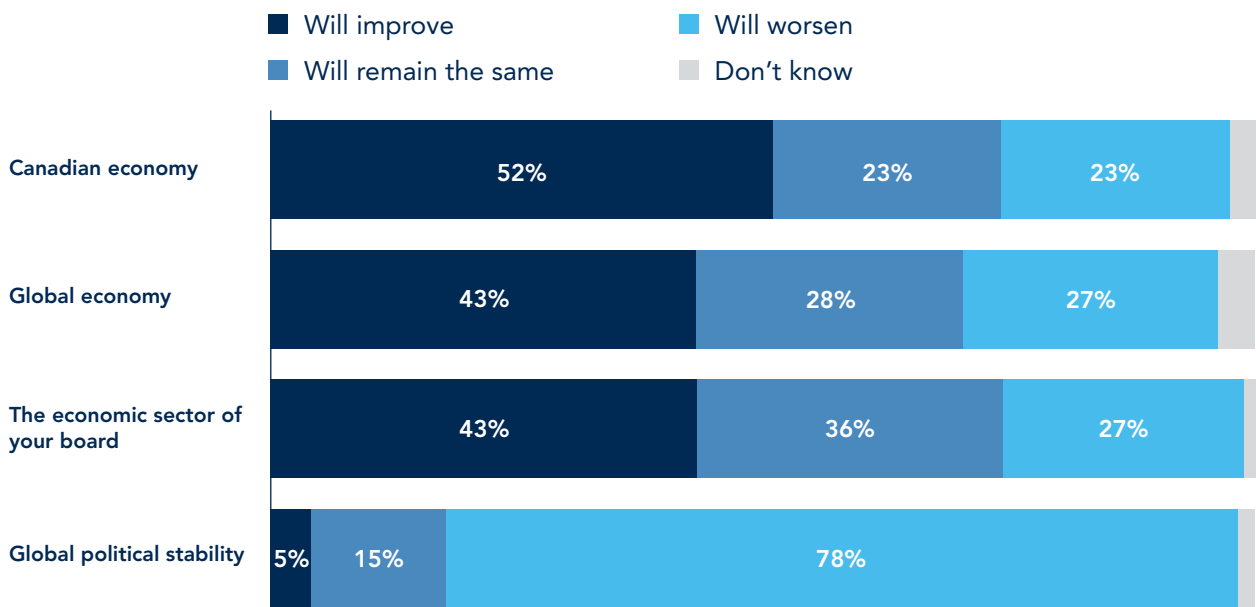
## IN AN UNCERTAIN WORLD, DIRECTORS SEE STRENGTH IN CANADA

Canada's Directors identify geopolitical conditions as a significant risk, with 78% feeling that global political stability will worsen over the next 2-5 years and 73% identifying the changing global political environment as an important challenge for their boards.

Despite this, 52% appear confident that the Canadian economy will improve in the coming 2-5 years. This is a stronger number than the 43% of Directors who feel the global economy will improve over the same period. Directors also appear confident that the economic conditions within their sectors will stay stable or improve over the same period.

*"The global economy is a large factor with our board and directly affects us." — ICD member*

**Q:** Looking forward over the next 2-5 years, please indicate whether you feel each of the following will improve, remain the same or worsen.



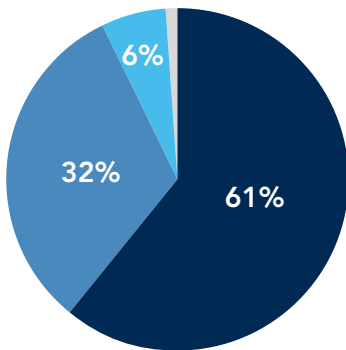
## CONFIDENCE IS LEADING TO MORE INVESTMENT

61% of Directors say their organizations plan to increase capital spending in 2018, and 40% plan to increase their R&D spending in the coming year.

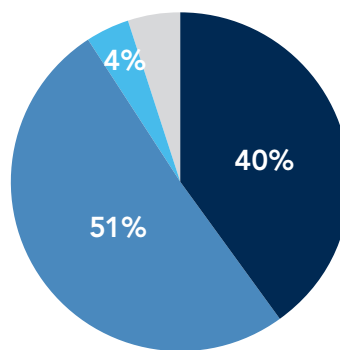
75% of Directors expect their organizations to increase or maintain their staffing levels over the next 5-10 years.

**Q:** Does the board on which you serve plan to increase, maintain or decrease spending in the coming year in terms of:

Capital spending

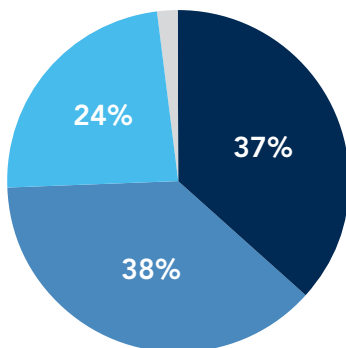


Research & Development



Increase
  Decrease  
 Maintain
  Don't know

**Q:** As a result of innovation (e.g. technological efficiencies), over the next 5-10 years do you expect staffing levels within the organization on whose board you serve will:



Increase
  Decrease  
 Maintain
  Don't know/not sure

## DIRECTORS CONFIDENT IN CANADIAN TRADE, LESS CONFIDENT IN NAFTA

Within this context, Canada's trading future is on the minds of Directors. While only 45% are confident that NAFTA will be successfully renegotiated, 76% are confident that Canadian trade can thrive outside of NAFTA.

This supports results from our March 2017 survey where 94% of Directors felt that Canada should pursue more open trading relationships with other countries.

*"Come to an agreement on NAFTA and work with other countries on trade deals."* — ICD member

**Q:** How confident are you that Canada can successfully renegotiate NAFTA?



**Q:** How confident are you that Canadian international trade can thrive outside of NAFTA?



■ Confident      ■ Don't know  
■ Not confident

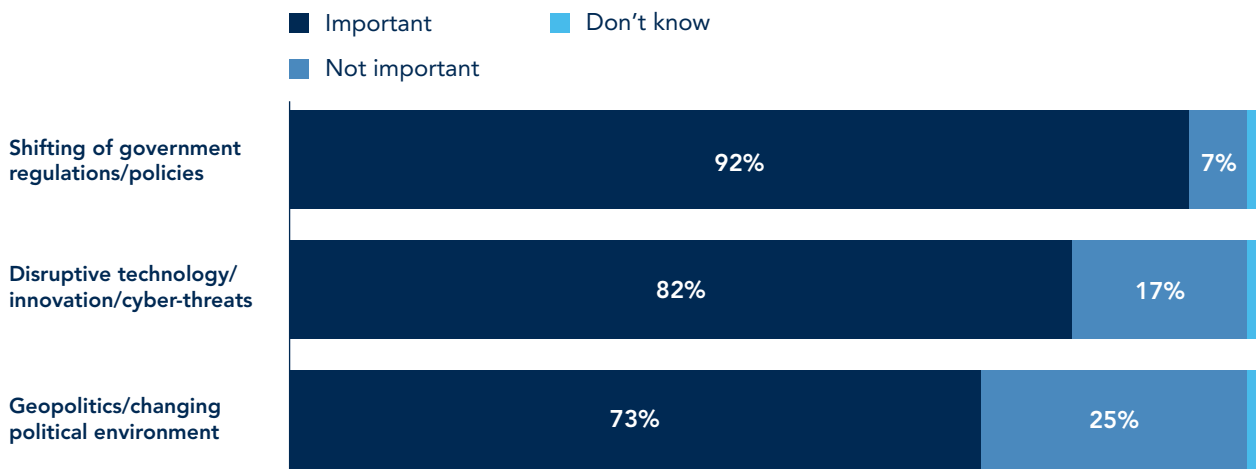
## REGULATIONS AND DISRUPTIVE TECHNOLOGY ARE TOP CONCERNS

Despite a positive outlook for Canada, Directors have key political and socio-economic concerns. 92% of Directors identify shifting domestic government regulations and policies as their top political or socio-economic challenge.

This is followed closely by disruptive technology/innovation/cyber-threats and geopolitics/changing political environments.

*“We closely follow the development of Artificial Intelligence, disruptive technologies.” — ICD member*

**Q:** Please indicate the importance of each of the following political and socio-economic challenges facing the primary board you serve on today.



*“Regulations are becoming more detailed and onerous across a wider subject set.” — ICD member*

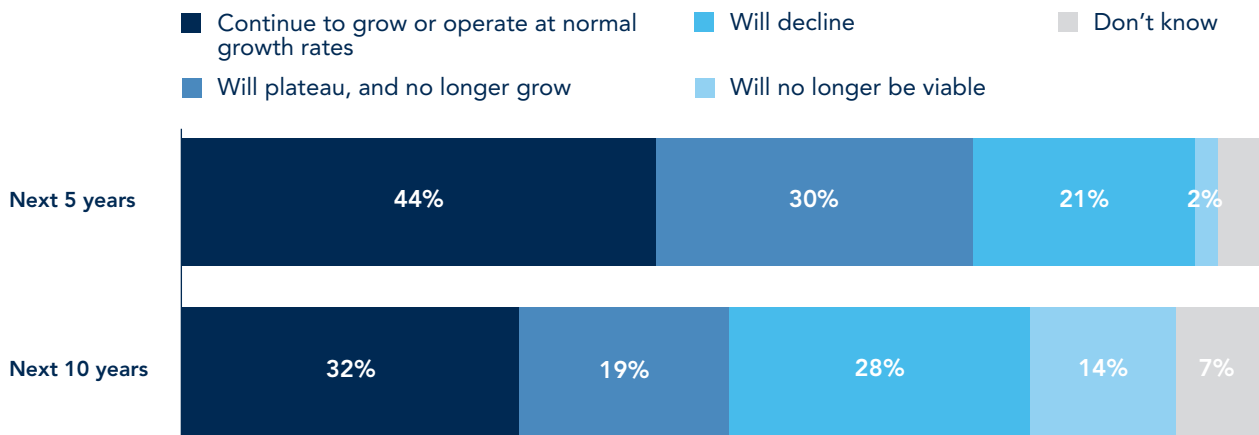
## INNOVATION IS THE KEY TO SURVIVAL

Their organization's ability to innovate in the coming years is a critical concern for Canada's Directors. While 44% believe that their organization can grow over the next 5 years without significant innovation, only 32% believe this to be the case over a 10-year timeframe.

42% of Directors believe that, without significant innovation, their organizations will decline or not be viable in 10 years.

*"Build it into the strategic plan as a means to remain viable and sustainable."* — ICD member

**Q:** Thinking over the time periods below, without significant innovation (e.g. technological innovation), the organization on whose board you sit will:



## BOARDS CAN BE CATALYSTS FOR INNOVATION

The board's role in encouraging innovation is a key priority. 82% of Directors said that encouraging diverse thinking at senior levels of management is an important role for the board, while 71% believe boards should insist on workforce skills development and diversification.

*"Recruit directors with diversity in experience, gender, socio-economic background + age diversity."* — ICD member

**Q:** Which of the following roles can your board undertake to encourage innovation? Select all that apply.

Encourage diverse thinking at senior levels of management

82%

Insist on skills development and diversification that encourages innovation

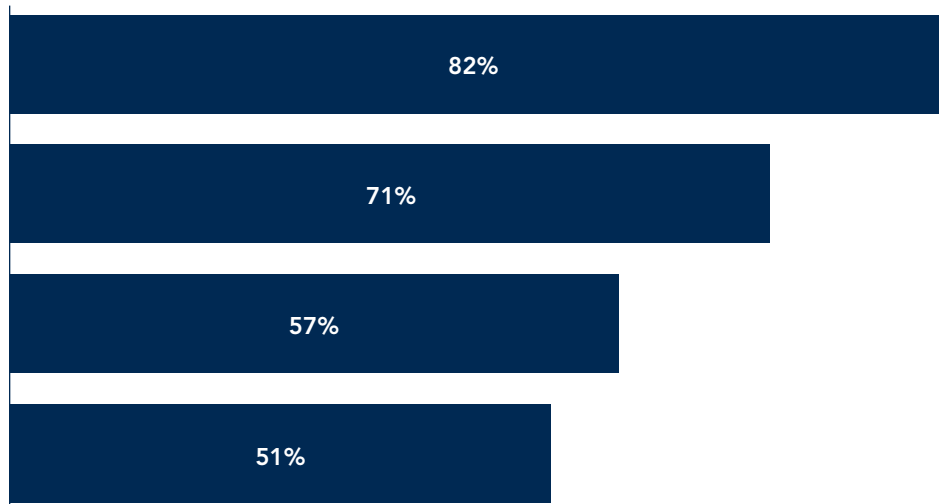
71%

Recruit directors with industry experience in innovative industries

57%

Design and implement a balanced risk and reward environment  
(including compensation)

51%





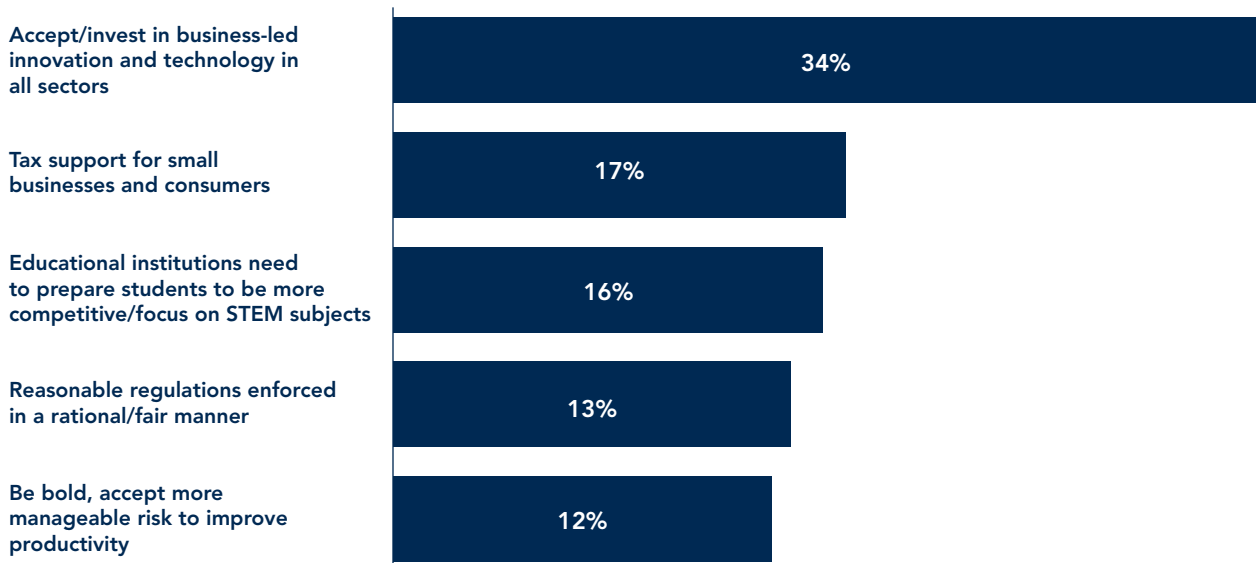
## CANADA CAN BE A CATALYST FOR INNOVATION

34% of Directors believe that Canada must do more to create an innovation culture by encouraging acceptance of, and investment in, business-led innovation and technological development.

Other initiatives that Directors believe would spur innovation are more tax support for small businesses and consumers, and greater focus on STEM learning within Canada's educational institutions.

*"Promote risk-taking, FAIL (first attempt in learning).  
Ban the phrase, 'can't do that because we've never done it before'."* — ICD member

**Q:** Thinking beyond your board, what does Canada need to do to be more innovative and/or competitive in the global marketplace over the next 2-5 years?



## BOARDS UNDERSTAND TECHNOLOGY BUT NEED TO BETTER UNDERSTAND ITS IMPACT

The advent of technologies such as AI, blockchain, digital manufacturing, etc. offer opportunities to increase productivity through automation. Directors believe they are preparing for these changes, with 80% indicating their organizations have discussed or have developed a strategy regarding automation.

Despite this, 52% of Directors say their boards have not discussed strategies to retrain workers displaced by technology.

*“A top issue is displacement of workers in general due to continued automation.” — ICD member*

**Q:** Has your board discussed or taken action on applying technology in your organization such as automating current functions?



**Q:** Has your board discussed or taken action on retraining your organization's workforce that is displaced by technology?



# SOCIAL ISSUES ARE HAVING A GREATER IMPACT IN THE BOARDROOM

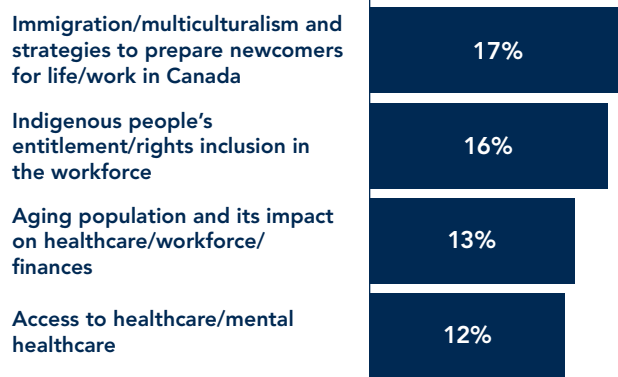
## HUMAN CAPITAL CONCERNS

Strategic discussions at the board have broadened to include social issues. Directors volunteered that they are most focused on human capital concerns with 17% saying that workforce integration of new Canadians and Indigenous peoples was a top priority.

The demographic challenges of an aging population and its impact on healthcare, workforce and finances are also critical concerns, as is access to healthcare, including mental healthcare.

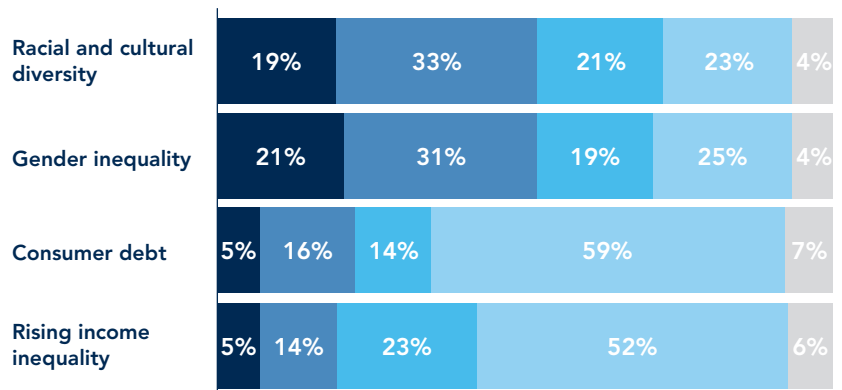
When presented with a set of social issues, Directors were more likely to have considered racial and cultural diversity and gender inequality in their strategic planning. Far fewer have discussed or considered rising income inequality or consumer debt in their strategic planning.

**Q:** What social issues in Canada have your board discussed, if any, that you believe will have an impact on your organization? Please be as specific as possible.



**Q:** To what extent has your board considered each of the following as they relate to your organization's strategy?

- We have developed a strategy for this
- We have considered this in our strategic planning
- We have discussed this but have not yet developed a strategy/considered part of strategic planning
- We have not discussed this
- Don't know

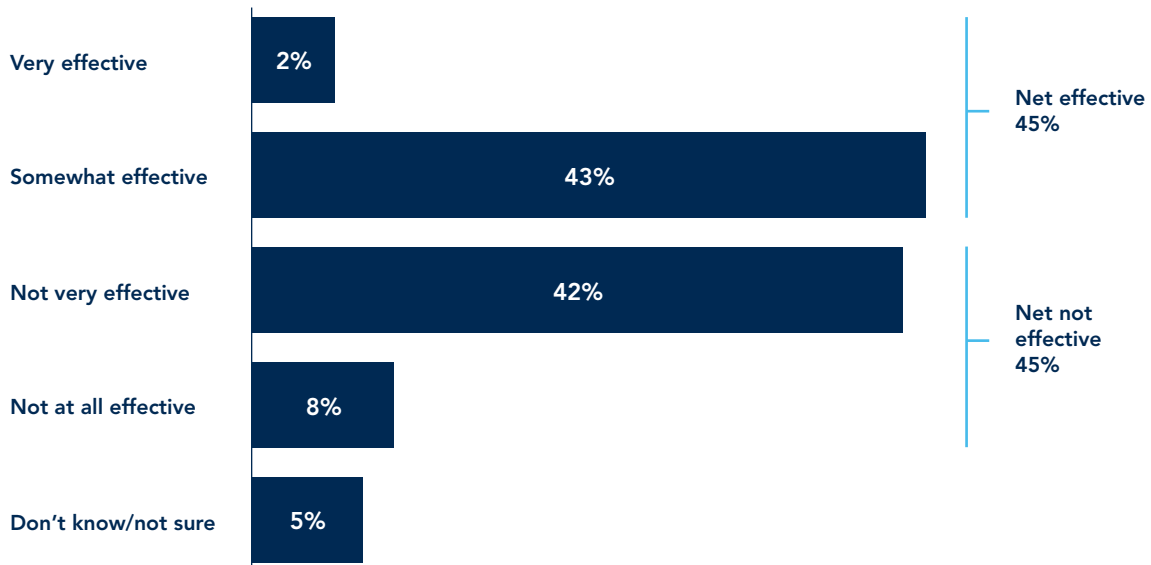


## INCLUSION IN THE WORKFORCE

Despite this, only 45% of Directors believe that Canadian employers have been effective in building the workforce of the future by ensuring the inclusion of groups like Indigenous peoples, young people and new Canadians.

*“The aging population is and will have a huge impact on healthcare, the workforce, and finances.” — ICD member*

**Q:** How effective do you think Canadian employers have been in building the workforce of the future by ensuring the inclusion of groups like Indigenous peoples, young people, new Canadians, etc.?



*“[We need] Indigenous inclusion in the workforce, ethnic, gender and religious diversity.” — ICD member*

# CLIMATE CHANGE

## NOT ON THE RADAR OF ENOUGH BOARDS

Of the broader societal issues impacting boards, climate change ranked low, perhaps indicating a difficulty for Directors in certain industries to make the connection between climate issues and their future impact on business, including on people movements and taxation.

While half of Directors surveyed indicated that climate change is an important challenge facing their board, 64% state that the issue has either not been discussed or has not been considered as a part of their strategic planning. When asked to volunteer social issues discussed by the board, only 10% of Directors mentioned climate change.

**Q:** To what extent has your board considered each of the following as they relate to your organization's strategy?



**Q:** What social issues in Canada has your board discussed, if any, that you believe will have an impact on your organization? Please be as specific as possible.



**Q:** Please indicate the importance of each of the following political and socio-economic challenges facing the primary board you serve on today.

