



Institute of Corporate Directors
Institut des administrateurs de sociétés

DIRECTORLENS

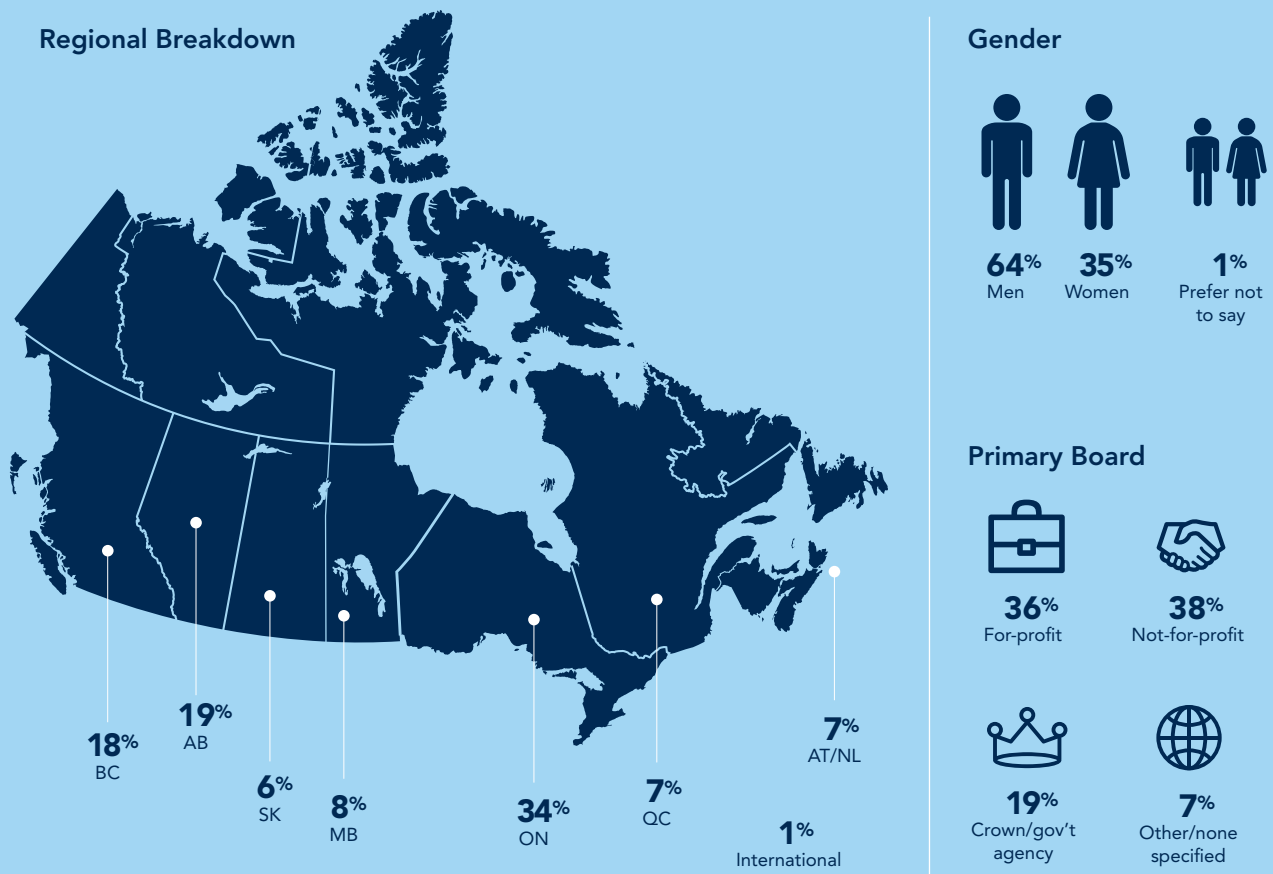
SURVEY FALL 2019



DIRECTORS ARE THE LEADERS WHO APPROVE AND OVERSEE CORPORATE STRATEGY AND PROVIDE OVERSIGHT OF ORGANIZATIONAL RISK MANAGEMENT. THEY ARE CHARGED WITH THE LONG TERM STEWARDSHIP OF CANADA'S ORGANIZATIONS.

The ICD's Director Lens survey focuses on key political, social and economic issues impacting our organizations and our country. These surveys inform government decision-makers and help shape policy conversations in the media and elsewhere by providing the insights of directors on the pressing issues impacting Canada's employers, workers, investors and managers.

This survey was conducted by Environics Research with 966 ICD members between September 10–October 4, 2019, yielding a response rate of 7.0% overall. A sample of this size produces results that can be considered accurate to within +/3.1 percentage points, 19 times out of 20.

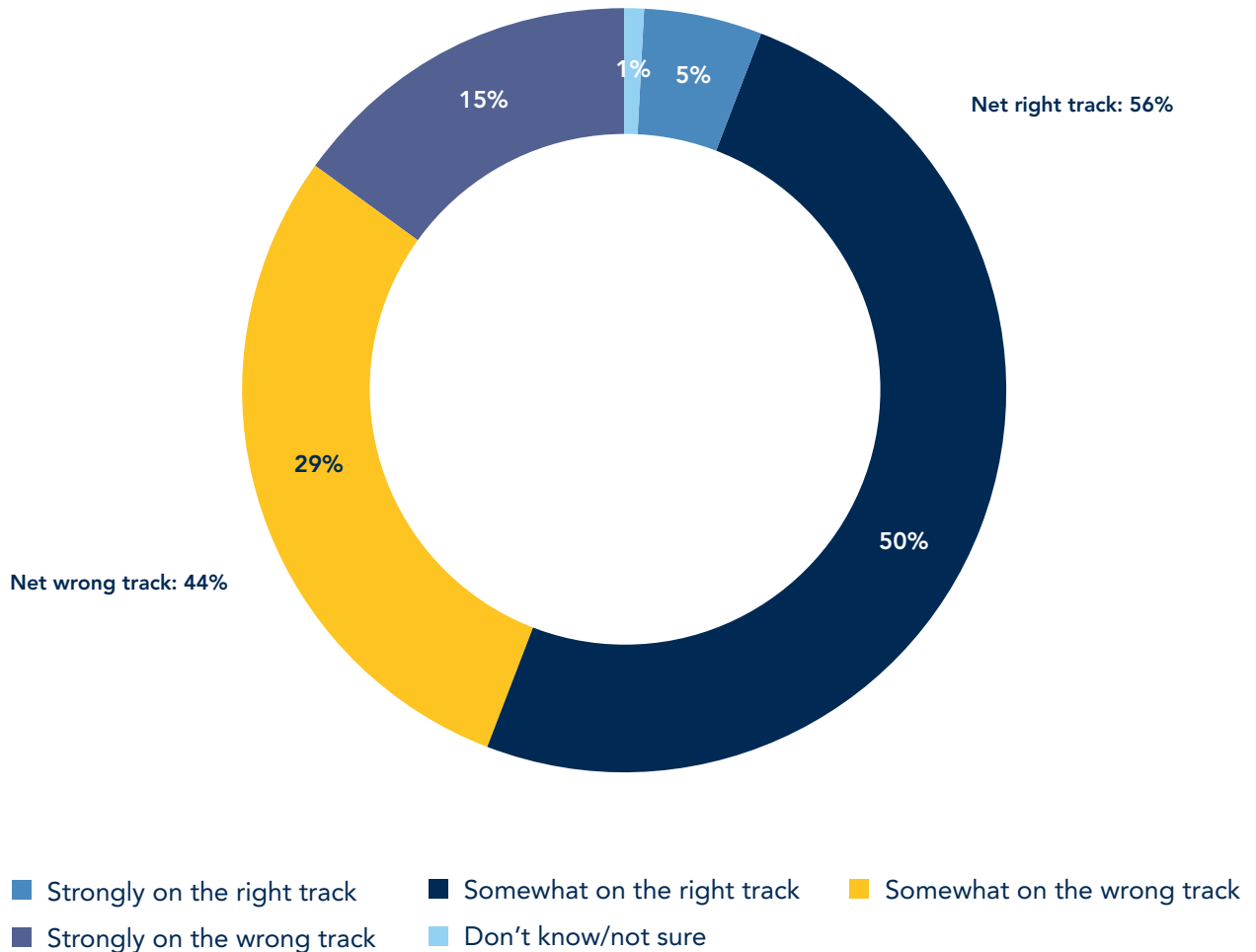


Totals may not add up to 100% due to rounding

WHERE IS CANADA HEADING?

A majority of directors felt that Canada was headed in the right direction with 56% believing that Canada was either strongly or somewhat on the right track. This is an improvement from the Spring 2019 Director Lens survey where less than half (49%) of directors surveyed felt that Canada was heading in the right direction. Those who felt that Canada was either somewhat or strongly on the wrong track declined to 44% in the Fall 2019 survey from 50% in the spring survey.

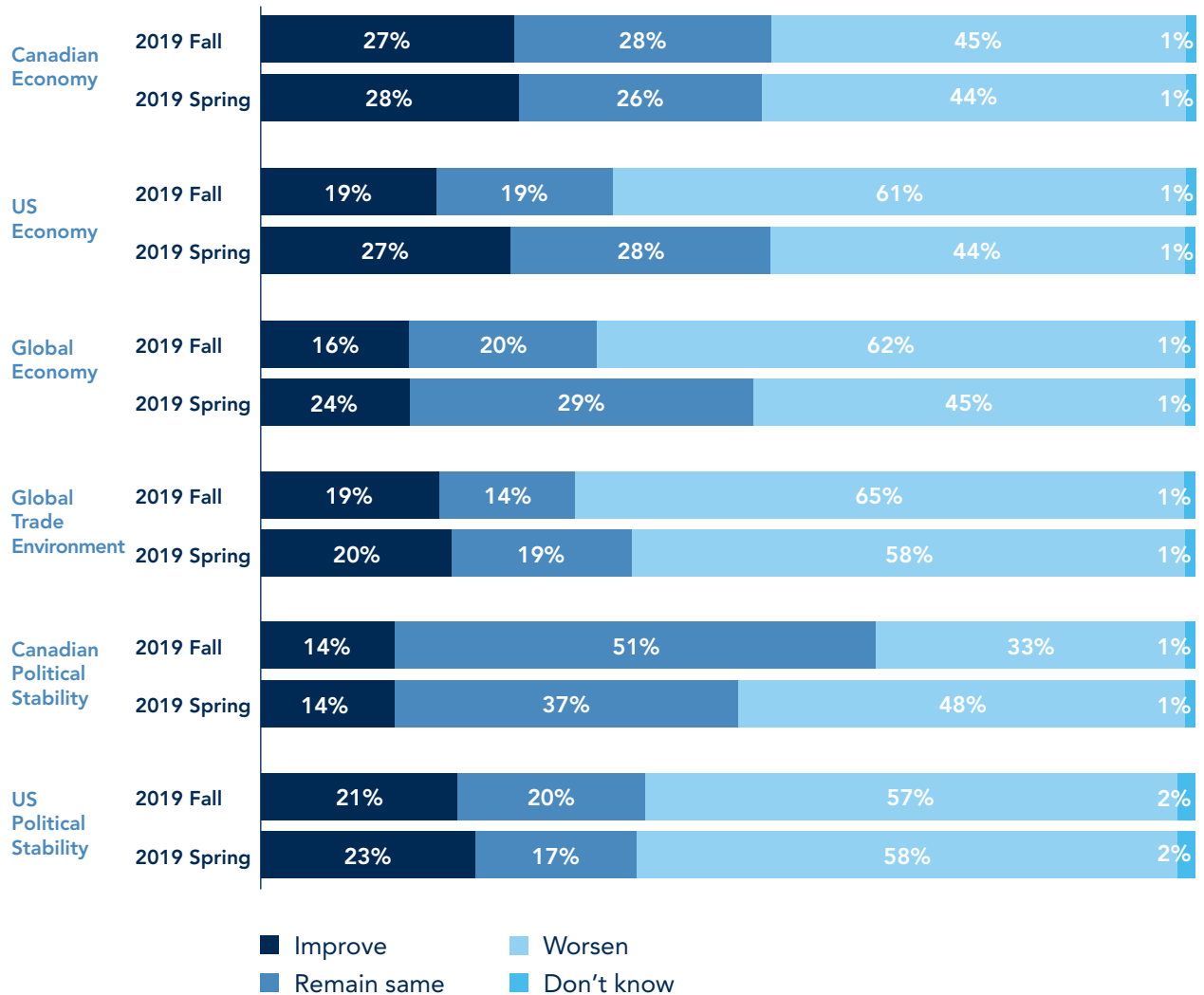
Q: Overall, would you say that Canada is currently heading:



*Percentages may not add up due to rounding.

Canadian directors remain pessimistic about the Canadian economy with only 27% of those surveyed saying they believed that the Canadian economy would improve in the next 2-5 years. Directors are even less optimistic about the US and global economies – only 19% said they believed the US economy would improve in the next 2-5 years and only 16% believed that the global economy would improve.

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:

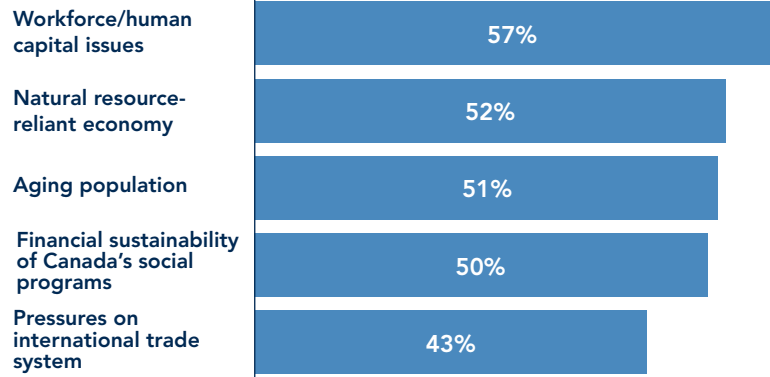


Interestingly, given that the survey was conducted in the midst of the Canadian federal election, directors expressed less pessimism for Canadian political stability than they did in previous Director Lens surveys. Fourteen per cent believed that it will improve significantly or somewhat (a figure which remains unchanged from six months ago), 51% believed that it will remain the same (up from 37% six months ago) and 33% believed that it will worsen (down from 48%). Also surprising, given ongoing political unrest in Washington, only 57% of those surveyed believed that US political stability would worsen in 2-5 years and 21% believed that it would improve.

CANADA'S MOST PRESSING CHALLENGES AND RISKS

We asked directors to identify the most pressing challenges Canada will be facing in the future.

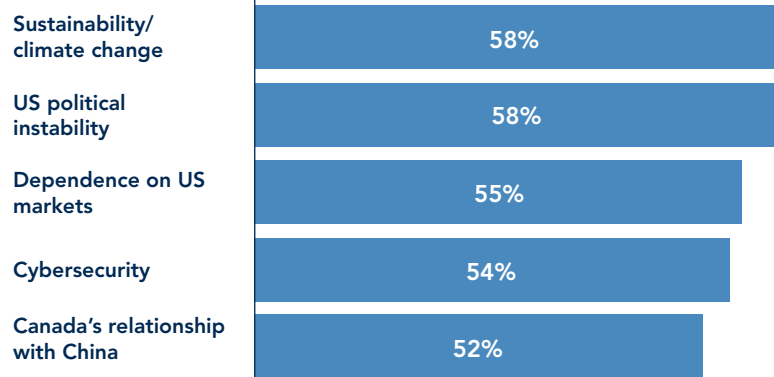
Q: Aside from corporate tax rates and shifting policy environment, which of the following represent Canada's most pressing challenges in the next 10-15 years?



One of the survey respondents noted that "the single greatest challenge to working in the future is how to cope with the increasing automation of traditional occupations. This is likely to dislocate many." We also asked directors to identify the most pressing challenges for their organizations. Just as they identified workforce/human capital issues as the most pressing challenge for the country, directors (64%) ranked this as the most important challenge for their organizations.

We then asked directors to identify the biggest risks for Canada in the future. Sustainability/climate change, US political instability and dependence on US markets all ranked highly among the risks directors identified, followed by cybersecurity and Canada's relationship with China.

Q: Which of the following represent Canada's most pressing risk in the next 10-15 years?

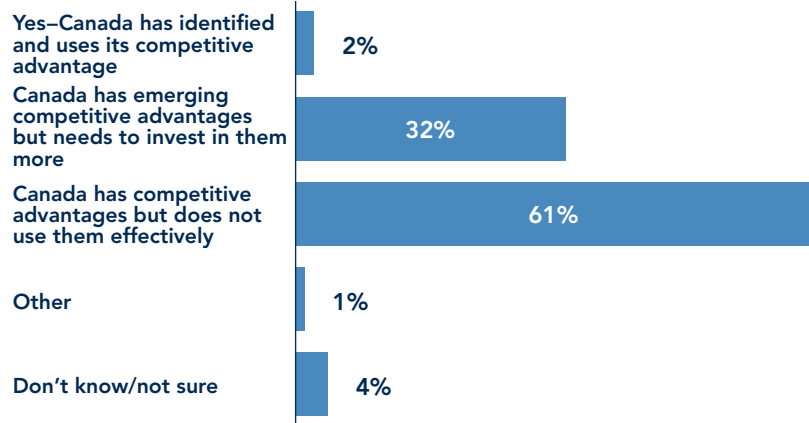


Directors were also asked to identify the most pressing risks facing their organizations (as distinct from risks for Canada). Sixty-two per cent of respondents identified cybersecurity as their most important concern. Interestingly, this issue was identified as the most important by both not-for-profit (63%) and for-profit directors (59%). One survey respondent noted that "cybersecurity is a huge, underappreciated risk, until it impacts any organization. With the push toward digitization, across industries, this risk will rise in importance and visibility."

CANADA'S COMPETITIVE ADVANTAGE

For the first time in our Director Lens surveys, we asked directors about Canada's competitive advantages and whether or not they are being identified and leveraged to build a sustainable economic future. Only 2% of those who answered the survey believe that Canada is identifying and using its competitive advantages. A third of those who responded (32%) believe that Canada has emerging competitive advantages and needs to invest in them more while a majority of those surveyed (61%) believe that Canada does not use its competitive advantages effectively. One director commented that "Canada is not looking at future economic drivers...Canada needs to start leveraging its technology, innovation and artificial intelligence to position itself for the decades ahead."

Q: In 50 years it is unlikely that Canada's economy will look the way it looks today. Do you feel that Canada has identified and is leveraging its competitive advantages sufficiently to build a sustainable economic future?

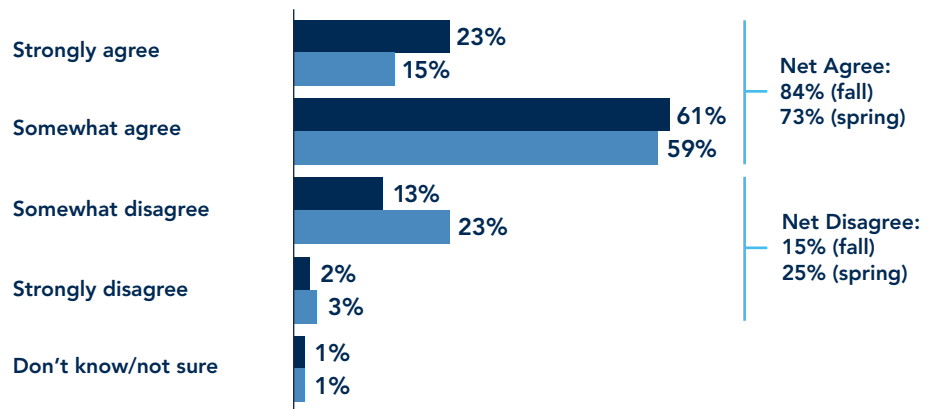


We also asked directors about whether or not Canada has the technological or other skills necessary to build new economy businesses. Eighty-four per cent of directors agreed that Canada had the technological and other skills necessary to compete in the new economy, up from 73% in the Spring 2019 survey. Directors expressed overwhelming optimism in the Canadian workforce with 91% of respondents agreeing or somewhat agreeing that Canada has the right mix of knowledge and talent to compete globally in the next 10-15 years.

Q: To what extent would you agree that Canada has the technological and other skills necessary to help build new economy businesses and create new opportunities?

■ 2019 Fall

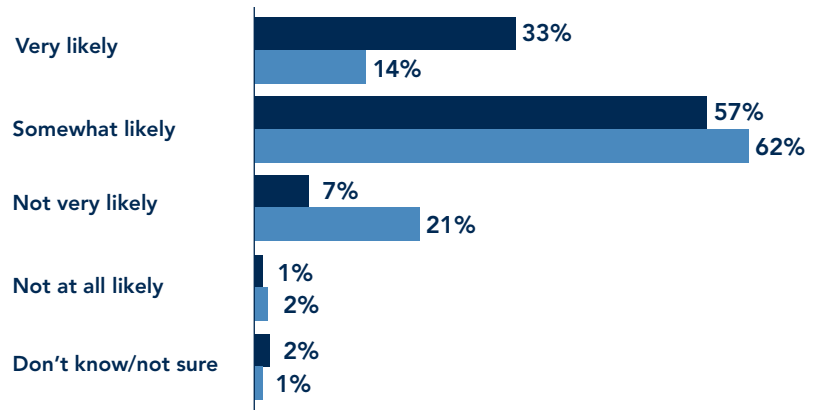
■ 2019 Spring



Q: How likely is it that Canada will have the right mix of knowledge and talent to compete globally in the next 10-15 years?

■ 2019 Fall

■ 2019 Spring



The survey results indicate a strong belief in the technological skills, knowledge and talent of Canada's workforce and yet contrasts strongly with the opinion of a majority of respondents that Canada is not using its competitive advantages effectively.

"Canada is not looking at future economic drivers... Canada needs to start leveraging its technology, innovation and artificial intelligence to position itself for the decades ahead."

BOARDS PREPARE FOR THE FUTURE OF WORK

The rise of new technologies, alternative working arrangements and changing demographics will all impact how people work in the future. Directors were asked if they had discussed these issues in the boardroom.

Q: The nature of work is changing due to technology, demographics, etc. resulting in a changing understanding of economic value. Has your board discussed "future of work" issues?

The board has discussed within the context of our strategic plan

49%

We have discussed but not within the context of our strategic plan

21%

No we have not discussed

26%

Don't know/not sure

4%

Almost half (49%) of those surveyed indicated that they were taking into consideration evolving workforce dynamics in the context of their strategic plans while a further 21% said they had discussed these issues in the boardroom. One respondent noted that "the board has discussed this issue at length but there are not any solutions, just mitigation techniques." Another survey respondent noted that they were "embarking on significant technology changes and considering how people will work in the future is imperative in determining the technology, architecture and application solutions."

We also asked directors specifically about retraining their organizational workforce. More than two-thirds (69%) indicated that they had discussed workforce retraining and/or had discussed and are comfortable that their labour force has the right mix of skills.

Q: Has your management team engaged the board on retraining, reskilling or upskilling its workforce?

We have discussed and the board is fully engaged

36%

We have discussed and feel comfortable that our labour force has the right mix of skills

32%

We have not discussed but it will be on a future agenda

14%

We have not discussed

14%

Don't know/not sure

3%

Net Discussed: 69%

Net Not Discussed: 28%

SUSTAINABLE DEVELOPMENT GOALS AND CORPORATE PURPOSE

The UN has created 17 sustainable development goals (SDG) calling for action by member states to end poverty, improve health and education, reduce inequality, address climate change and create economic opportunity and growth. Goals have been set for 2030 and businesses have been asked to partner with the UN to find solutions to the challenges identified in the SDGs. We asked directors if they had incorporated SDGs into their organizational strategies or had discussed SDGs as part of their strategic deliberations. Almost a third (31%) of the directors who responded said they had incorporated sustainable development goals into their organization's strategy and a further 35% indicated that they had discussed doing so. While more directors of not-for-profit organizations (34%) indicated that they had incorporated SDGs into their organizational strategies, 27% of for-profit directors indicated that their companies had also done so.

Q: The UN, among others, has identified sustainable development goals on issues such as poverty, health and well-being, gender equality, among others. Has your board:

Incorporated sustainability goals into our organizational strategy

31%

We have discussed but not incorporated sustainability goals into our strategy

35%

We have not discussed/not aware of any sustainability goals

28%

Don't know/not sure

6%

We were also interested in whether or not directors of for-profit organizations had defined a corporate purpose beyond financial return. Forty-five per cent of respondents indicated that they had a corporate purpose statement and a further 27% had discussed creating one.

Q: Has your board defined a societal purpose beyond financial return?

Yes we have defined a corporate purpose statement

45%

We have discussed but have not created a purpose statement

27%

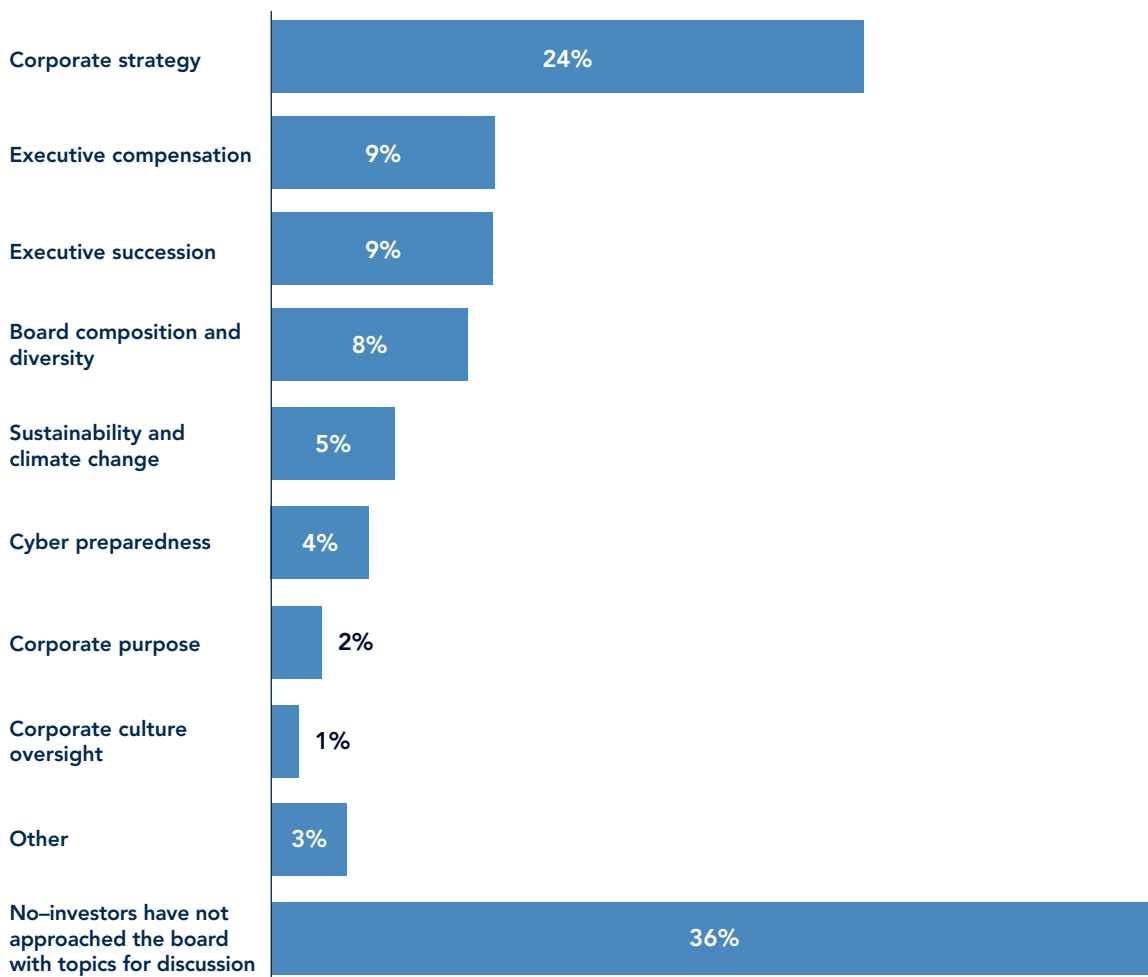
We have not discussed this

27%

BOARD DISCUSSIONS WITH INVESTORS

There is a perception that investors have taken a more active interest in the governance of companies than was perhaps true in the past. We asked directors on for-profit boards if investors are asking for information from corporate boards, and if so, which issues they are interested in. Corporate strategy was the topic of most interest to investors - 24% of survey respondents said that this was the most commonly asked question. Executive compensation and succession planning were also subjects of interest to investors although only 9% of those surveyed indicated that they had been asked about either subject by investors. Very few of our survey respondents indicated that questions about sustainability and climate change (5%) or board composition and diversity (8%) had been posed by investors. More than a third (36%) of the directors asked indicated that investors had not approached the board with any discussion topics.

Q: Have investors sought to discuss with your board any of the following topics in the past year?



CONCLUSION

Canadian directors remain pessimistic about the Canadian, US and global economies. Almost half of those who responded to our survey believe that the Canadian economy will worsen over the next 2-5 years. Even more believe that the US economy and the global economy will worsen. However, there was some optimism expressed in this survey – a majority of directors now believe that Canada is headed in the right direction. Perhaps the most striking result we uncovered was the very small number of directors who believe that Canada has identified and uses its competitive advantages effectively. This pessimism can be contrasted with the strong support expressed for the skills and knowledge of the Canadian workforce and its ability to compete globally, build new businesses and create new economic opportunities in the future. The survey also indicates that a significant number of boards are engaged on new and challenging issues such as the future of work and sustainable development goals.



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