



Institute of Corporate Directors
Institut des administrateurs de sociétés

DIRECTORLENS

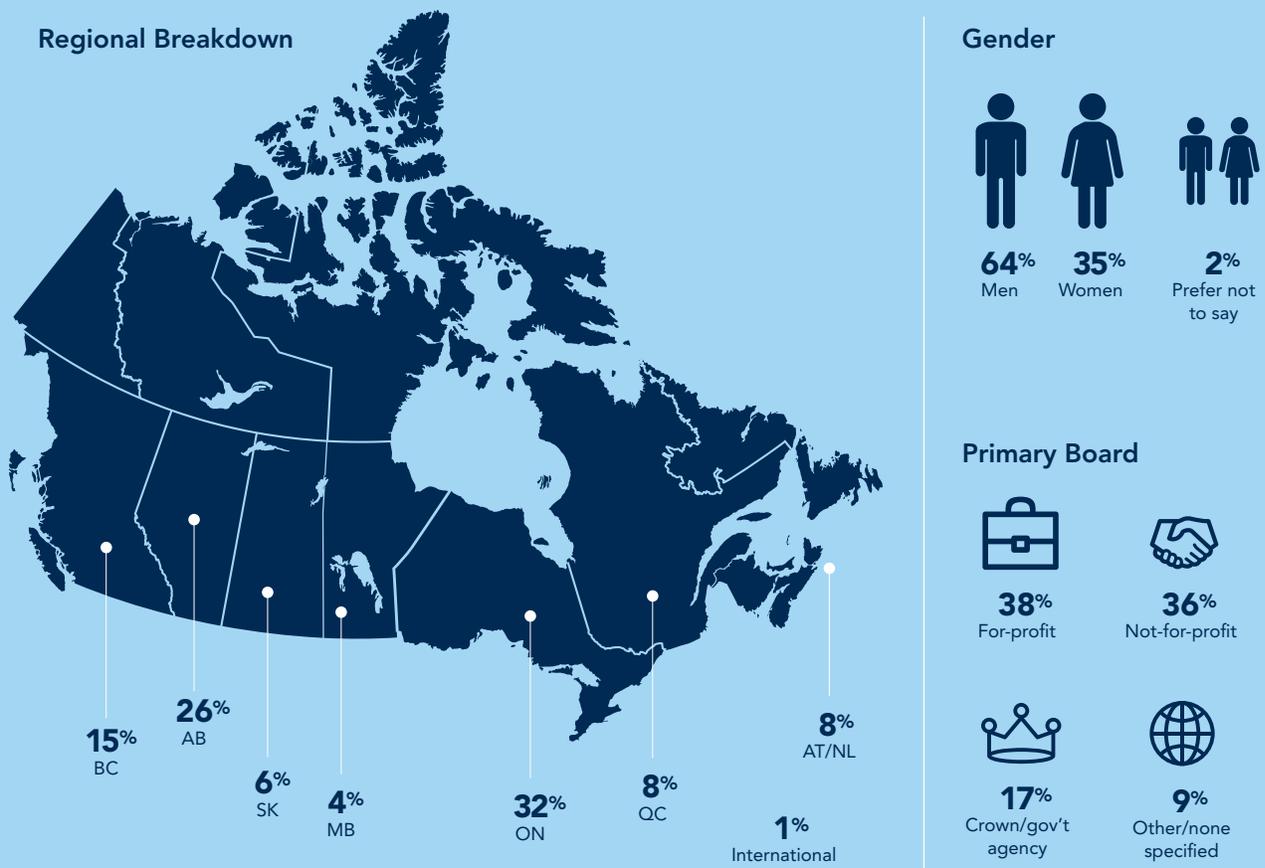
SURVEY SPRING 2019



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 939 ICD members between March 4–31, 2019, yielding a response rate of 7.4% overall. A sample of this size produces results that can be considered accurate to within +/-3.2 percentage points, 19 times out of 20.

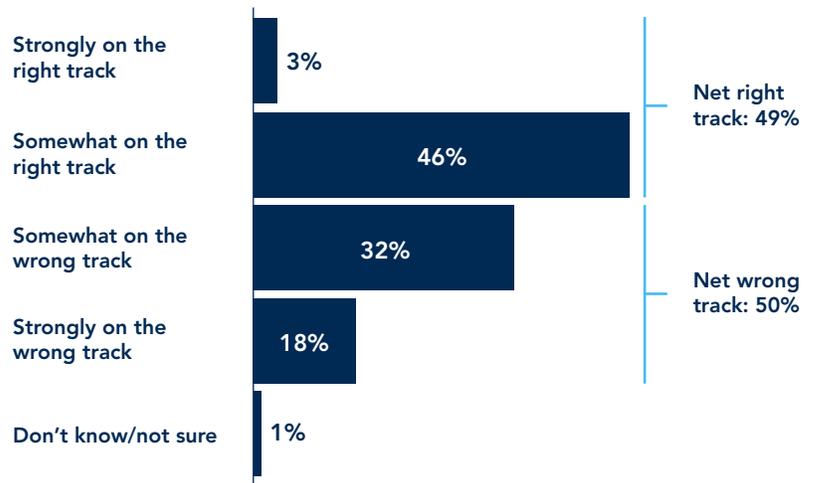


Totals may not add up to 100% due to rounding

WHERE IS CANADA HEADING?

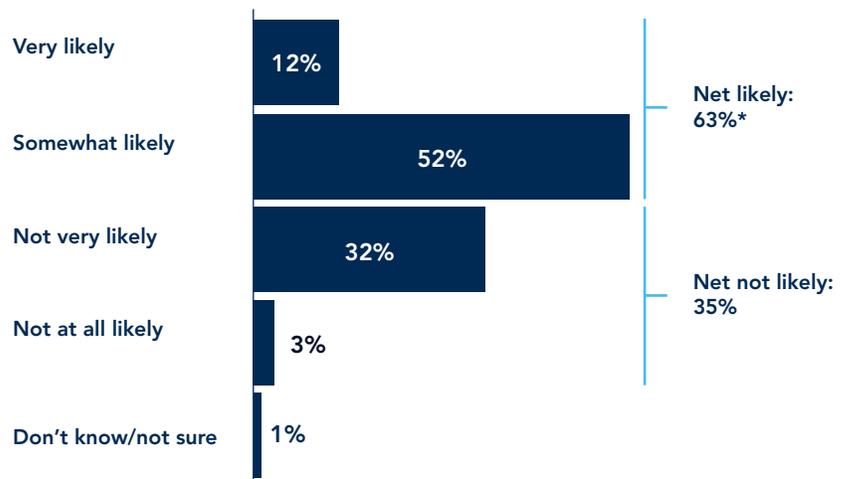
Directors remain evenly split on whether Canada is headed in the right or wrong direction with very little change since we asked the question last fall. Overall, slightly more directors feel that Canada is strongly or somewhat on the wrong track (50% vs 49% in the last survey). There was no change in the number of respondents who said Canada was on the right track: 49% although the number of those surveyed who said Canada was strongly on the right track declined from 5% to 3%.

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



In response to the question about Canada's standard of living in the next 10-15 years, members showed more optimism in their response with 63% believing that Canada would very likely or somewhat likely sustain its current standard of living. However, 35% felt it was not very likely or not at all likely that Canada would sustain its living standard.

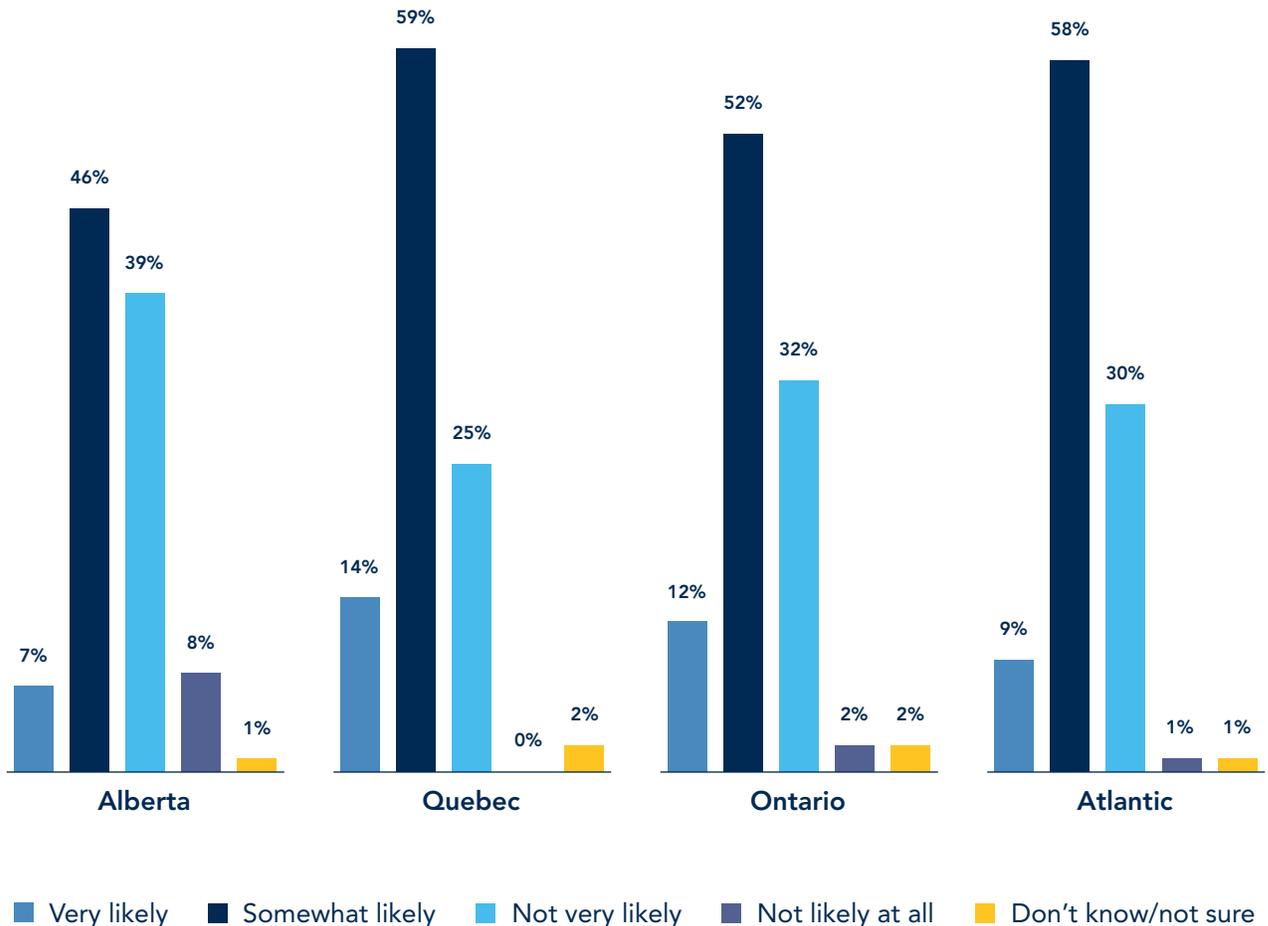
Q: Looking ahead over the next 10-15 years, how likely is it that Canada will be able to sustain its current standard of living?



*Percentages may not add up due to rounding.

REGIONAL PERCEPTIONS OF FUTURE CANADIAN PROSPERITY

The survey results reflect that there are some parts of the country that are feeling more optimistic about Canada's living standards than others. Respondents from our chapters in Ontario (64%) and Quebec (73%) felt that Canada would be very likely or somewhat likely to sustain our living standard in the next 10-15 years while a slim majority of those (53%) in the ICD's Alberta chapters felt that Canada was very or somewhat likely to sustain our standard of living.

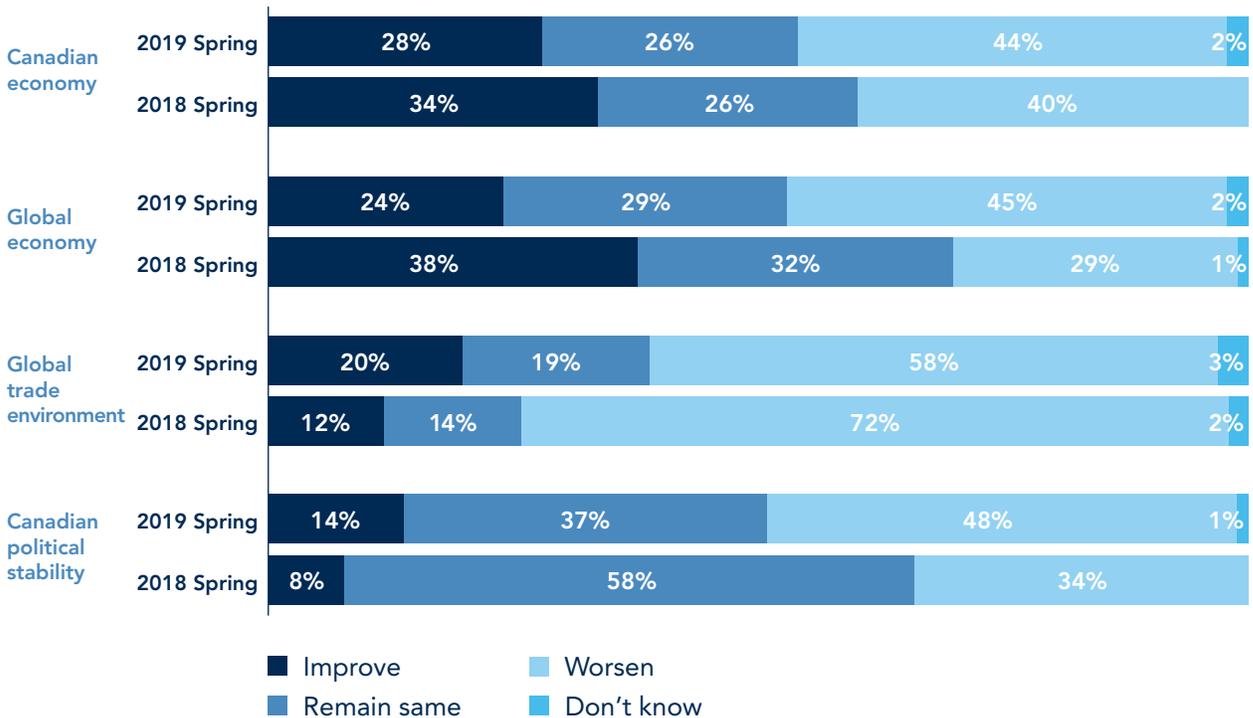


CONFIDENCE IN THE CANADIAN ECONOMY AND POLITICAL STABILITY CONTINUES TO BE CHALLENGED; SOME HOPE ON GLOBAL TRADE

Canadian directors remain pessimistic about Canadian and global economic and political stability. Only 28% of the directors we surveyed believe that the Canadian economy will improve over the next 2-5 years, compared to 34% who believed it would improve a year ago. Almost half (44%) of those surveyed believe the economy will worsen. Faith in the global economy is also declining – only 24% believe that it will improve in the next 2-5 years compared to 38% who believed it would improve a year ago. Forty-five per cent of those surveyed believe that the global economy will worsen in the next few years.

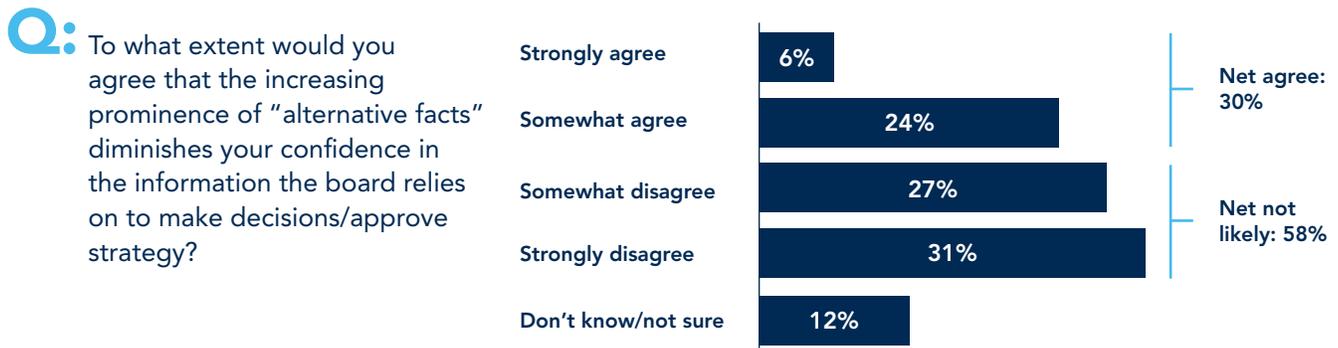
ICD members also continue to express concern for our domestic political stability – 48% feel that Canadian political stability will worsen in the next 2-5 years while only 34% expressed that view in the spring 2018 survey. Provincial elections, the threat of populism, a slowing economy and the upcoming 2019 federal election may all be contributing to a sense of unease. However, those who felt that Canadian political stability would improve did rise from 8% to 14%. Some optimism for the global trade environment was also reflected in the survey with 20% of the directors surveyed feeling that the environment for trade would improve compared to only 12% a year ago. Fifty-eight percent answered that they thought the trade environment would worsen, compared to 72% in the spring 2018 survey.

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:



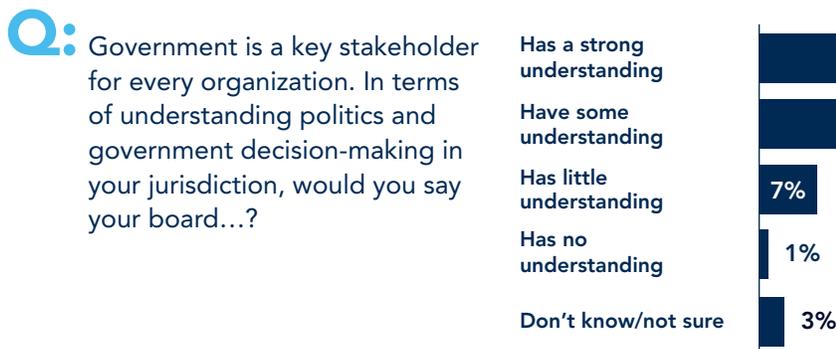
INFLUENCE OF “ALTERNATIVE FACTS”

The rise of “alternative facts” is also a cause for concern for some directors. Thirty per-cent strongly or somewhat agreed that the increasing prominence of poor or misleading data has diminished their confidence in the information their boards receive. This indicates that a sizeable number of directors are questioning their confidence in the validity of the information they are using to make critical judgements. This is an issue well worth monitoring as boards struggle to understand what the implications of purposefully misleading information may be on strategic decision-making.



BOARD'S UNDERSTANDING OF POLITICS AND GOVERNMENT DECISION-MAKING

Governments are critical stakeholders for every organization, providing licenses to conduct and expand business, funding to many NFPs and, of course, they are the shareholder in the Crown sector. Given the key nature of this relationship, it is somewhat surprising that less than half of directors indicated they have a strong understanding of politics and government decision-making.

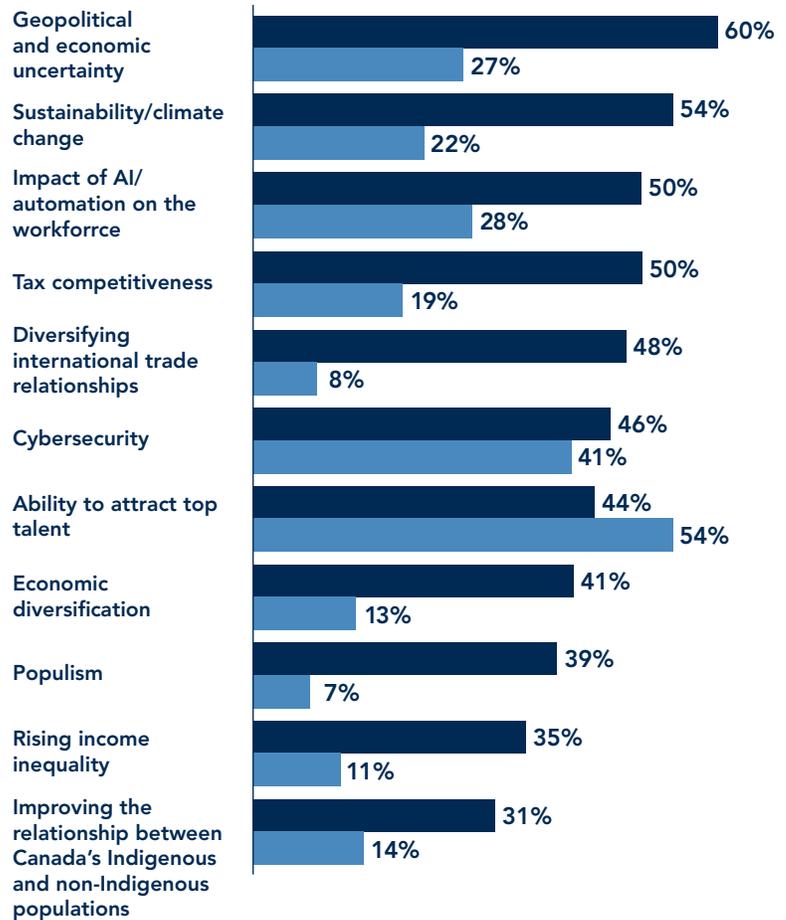


CANADA'S MOST PRESSING CHALLENGES

We asked directors to identify the most serious issues facing Canada and those that have the greatest potential to limit the success of their organizations. Interestingly, several challenges were identified as a serious concern for the country but not necessarily for the directors' organizations. This indicates that directors may not be connecting national challenges with their potential to impact their organizations' growth. For example, sustainability/climate change is identified by 54% of those surveyed as a pressing challenge for the country while only 22% feel it is an important issue for their organization. Other gaps in urgency include geopolitical and economic uncertainty, populism, rising income inequality and, perhaps most surprising, diversifying international trade relationships. Alignment does appear on issues such as cybersecurity and the ability to attract top talent.

Q: Which of the following represent Canada's most pressing challenges in the next 10-15 years? And which of those same issues do you see as the most important challenges potentially limiting your organization's growth?

- Canada's most pressing challenge
- Most important challenges for organization



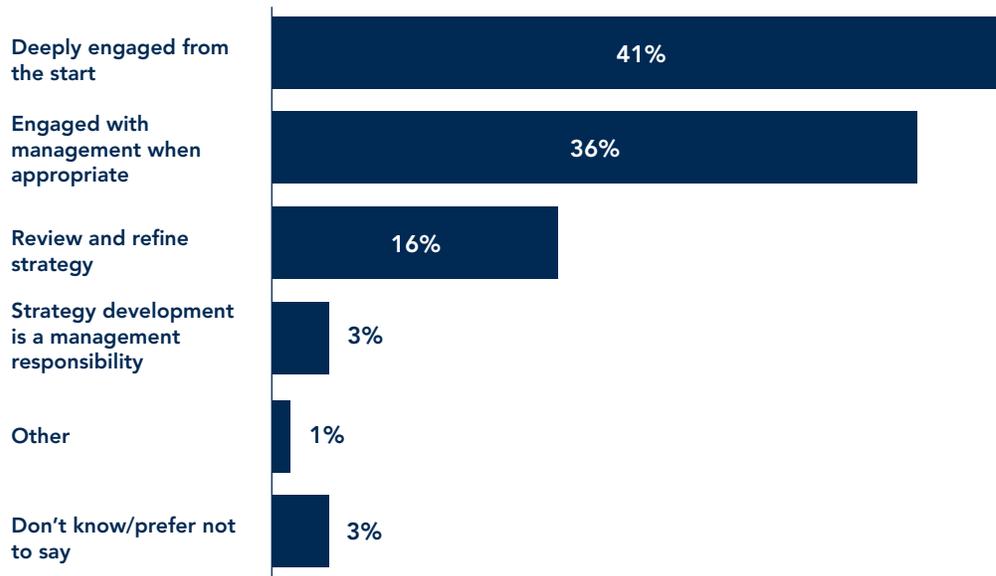
"Global attractiveness for capital; creating sustainable jobs for millennials and next generation, creating flexibility, finding ways to help keep cost of housing and urbanization realistic."

"I think all organizations should be doing a better job in understanding how technology and the use of data analytics will simplify processes, enhance experiences and require less ordinary labour."

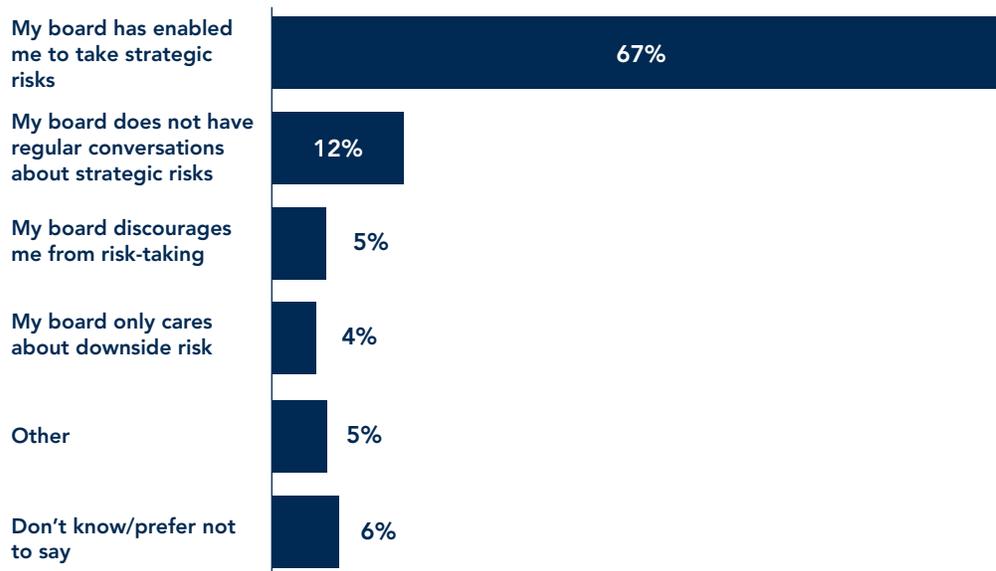
BOARD OVERSIGHT OF STRATEGY

A significant number of directors (41%) indicate that they are deeply involved in strategy development from the beginning of the process. Sixty-seven per cent also said they felt their CEOs would say that their boards had enabled them to take strategic risks.

Q: Which approach best describes your board's role in strategy?



Q: If we were to ask your CEO about his/her board's comfort with strategic risks, the response would be:



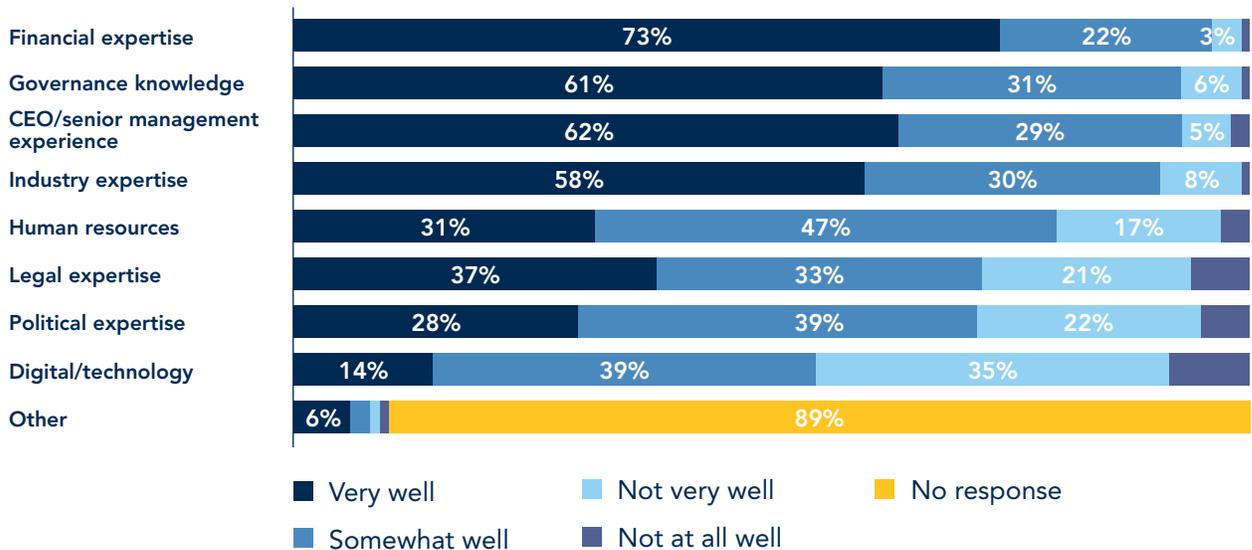
TECHNOLOGICAL DISRUPTION NOT SUFFICIENTLY ON THE RADAR

Displacement of the organization’s work force by technology doesn’t seem to be finding its way onto a significant number of board agendas. In fact, 49% of directors surveyed have not discussed the issue, down only slightly from a year ago, despite high-profile media coverage and an increasing understanding of the impact of technology on employees. More organizations have developed a strategy for retraining however – 18% of directors responded that they have developed a strategy for work force retraining compared to 11% in the spring 2018 survey.



Directors have also identified a gap in digital/technological expertise on their boards with only 53% feeling that those skills are very well or somewhat well represented on the board.

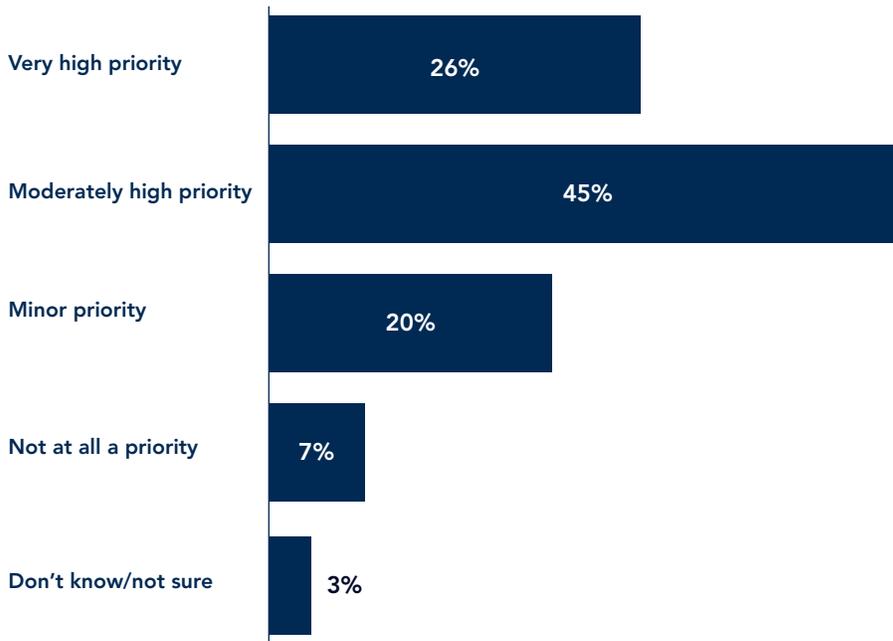
Q: How well are each of the following competencies represented on your board today?



DIRECTORS STRONGLY SUPPORTIVE OF DIVERSITY

Our survey found strong support for board diversity. Almost three-quarters of directors (71%) say board diversity has high to moderately high priority among their list of board priorities with 26% saying it is a very high priority. This belief holds true for both for-profit and not-for-profit boards.

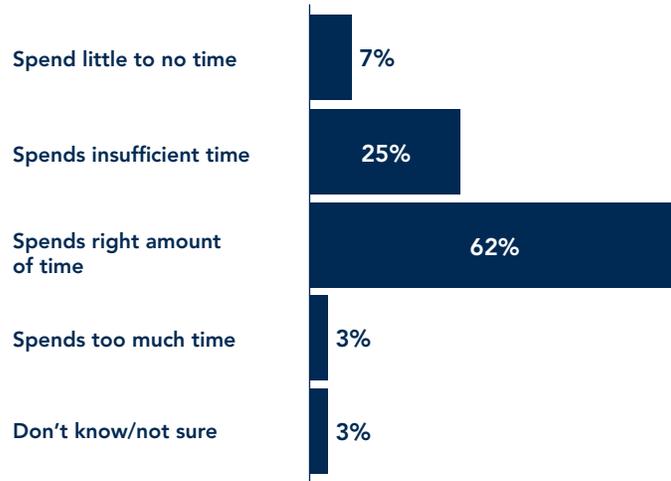
Q: How high does board diversity rank on your list of board's priorities?



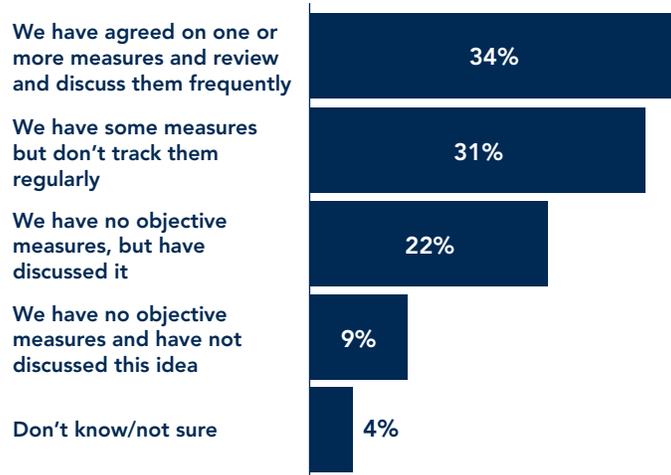
BOARD OVERSIGHT OF CULTURE

Although 62% of respondents indicated that they are spending the right amount of time discussing organizational culture, only 34% indicated that they have one or more agreed upon measures regarding culture and that they discuss them frequently. Thirty-one percent have some measures but do not track them regularly and 22% have no objective measures but have discussed culture. Nine percent have no measures and have not discussed the health of their organizational culture.

Q: Which of the following reflects the amount of time you feel your board is spending on the oversight of organizational culture right now?



Q: What approach best describes your board's ability to measure the health of organizational culture?



CONCLUSION

According to our most recent survey results, directors continue to have serious concerns about the Canadian economic and political environment although are expressing more optimism about the global trade environment. When asked about the most pressing challenges facing Canada, directors identified serious issues such as climate change, geopolitical and economic uncertainty and the impact of AI but were not as willing to identify these issues as problematic for their own organizational growth. The lack of a strong connection between the two perspectives is notable.



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