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## *Directors of our fate*

PwC's Corporate Governance Survey for Directors of Barbados companies

*November 2018*





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## ***Executive summary***

As Barbados faces the challenge of a long road to economic recovery, the resilience of its private sector will continue to be tested. It is against this backdrop that companies and their boards will need to consider what their roles will be in meeting the expectations of the Government, regulators, shareholders, employees and the wider public stakeholder groups. This role will be vital in setting the tone at the top, influencing and shaping the way the country as a whole does business. Accountability, independence of thought, effective performance and the benefits of diverse perspectives - these are all fundamental to good governance, whether in private companies, public companies or the public sector.

Our survey has focused on these key areas as well as the responsiveness of our boards to current topics such as cyber-security and crisis management. Our first PwC Barbados *Corporate Governance Survey for Directors* seeks to help directors focus on: where we are in our adoption of governance best practice, what we're doing well, where there's room for gradual improvement; and, what areas must be urgently addressed.

These results shed light on where boards are aligned with management and how directors view their accountability to shareholders and the wider stakeholder community. Boards have made some improvements in several areas, but there remains a significant amount of work to be done. We've made some key observations from the results of the survey, including:

- **Independent chairs are more likely to provide effective communication with shareholders and strong, effective leadership to the board.** Boards are being led by chairs who largely do not hold management positions, with 82% being non-executive chairs. Directors show some concern with how their chairs counsel CEO/managing directors and how they challenge these executives on important issues.  
  
The responses largely show satisfaction with how chairs consider the views of directors, thereby obtaining board consensus. Importantly these chairs are also viewed as providing clear and effective communication with shareholders at AGMs. In our view this is vital in the board's ability to keep shareholders informed, provide guidance on the strategy of the company and address the concerns of the owners of the company.
- **Insufficient action on performance assessments is resulting in failure to address issues.** Boards are falling short in holding themselves to standards higher than the status quo. Although 89% of respondents agree that full board and committee assessments promote board refreshment, almost half of our respondents confirm that no assessments of their performance have occurred over the last 12 months. Nearly 50% of those who actually had assessments indicate that these were conducted internally, with no independent input, oversight or feedback on next steps in light of results. This is of even greater concern when the results reflect concerns over the performance of fellow directors. One positive development in this area is the diversity of topics on which some boards are now receiving training, including AML and Governance.



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## Executive summary

- **Boards know that cyber and natural disaster risks are real, and are appropriately worried about them, but feel ill prepared.** While many acknowledge cybersecurity and other crisis risks, and discuss them around the boardroom table, a large percentage of directors note that not enough is being done to manage these risks. Awareness is there, but ownership and responsiveness is lacking, as is the drive to hold management accountable in these areas.
- **Board diversity is admittedly important yet not addressed.** All but 2% of respondents either strongly agree or somewhat agree that diversity is a positive trend, bringing unique perspectives and enhancing board performance. The fact that 76% of respondents were male is reflective of what we know of board composition in Barbados today. Respondents overwhelmingly acknowledge the value of diversity, but little action is being taken to bring change.
- **Management's willingness to address issues head on is of concern to directors.** While appreciating the vital need for strong management and oversight of these teams, 43% of directors are wary of management's unwillingness to have the tough conversations about past failures and future challenges. More than 50% also want management to be more strategic and forward-looking. Directors understand the need to challenge management, but the question remains whether enough is being done to demand accountability in an economic environment that will continue to test companies' resilience and ability to address emerging risks.
- **Shareholder concerns about environmental issues are being heard in the boardroom.** The impact of plastics, marine pollution and climate change on our small, largely tourism-dependent developing economy is not lost on directors. A significant percentage of respondents (62%) note that these issues should very much be taken into account in forming company strategy, while 33% believe these issues are only somewhat relevant. These issues are foremost on the collective minds of shareholders and the community as a whole. In our view the fact that the remaining minority believes that this issue is not at all relevant to company strategy is a cause for concern.
- **Failures in corporate culture, which undermine shareholder value, are the joint responsibility of the board and management, but the impact of disengaged employees is also important.** Directors acknowledge that problems with corporate culture, and thus the solutions to these, sit with both the board and management. Just over 72% of respondents agree that executive compensation could drive unethical behavior and is an undesired outcome, while 85% either strongly agree or somewhat agree that the tone set by executive teams contributes to problems with corporate culture. Directors also note that these failures are often the result of boards not being true stewards of their companies, failing to provide sufficient oversight.

Employees also play a key role in maintaining the right corporate culture. Over 65% of respondents confirmed that their companies have invested in employee development programmes to address this. At least one company has sought to appoint a shareholder relations executive to ensure that shareholders concerns are properly heard and addressed. In our view an increase in such important initiatives is vital.

As we analysed the results of the survey, we considered the overall impact of directors' views on their ability to be held accountable by shareholders and other stakeholders. In our view their effectiveness as stewards of these companies, whether private or public, comes down to their views on the steps needed to properly oversee and guide management and their ability to be responsive to the economic, cultural and environmental concerns of their stakeholders. Please read on for our full analysis of the survey results.

## About the survey

PwC's Corporate Governance Survey 2018 for directors of Barbados companies is the first survey of its kind carried out by our Corporate Services practice. It gauges the views of public and private company directors, both domestic and international entities, on a variety of corporate governance matters. The survey was sent to just over 300 directors, 66 of whom participated. Respondents represent a cross-section of companies from many industries.

This survey report includes both the results of the survey and our analysis/commentary thereon. The views expressed herein are the views of the author of the report and do not necessarily represent the views of PwC East Caribbean and/or the PwC network. In addition, this content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Our regional Corporate Services team provides a range of Corporate Secretarial, Entity Governance and Corporate Advisory services to clients across all industries, ranging from small proprietors to large local, regional and multinational corporations. Our team of attorneys and chartered secretaries across the Caribbean works closely with the rest of our PwC network to meet the needs of our clients.

### Notes:

- Due to rounding some charts may not total 100%.
- Not all respondents answered all questions and this is reflected in some of our results.
- Some questions allowed respondents to select more than one option on the same subject.

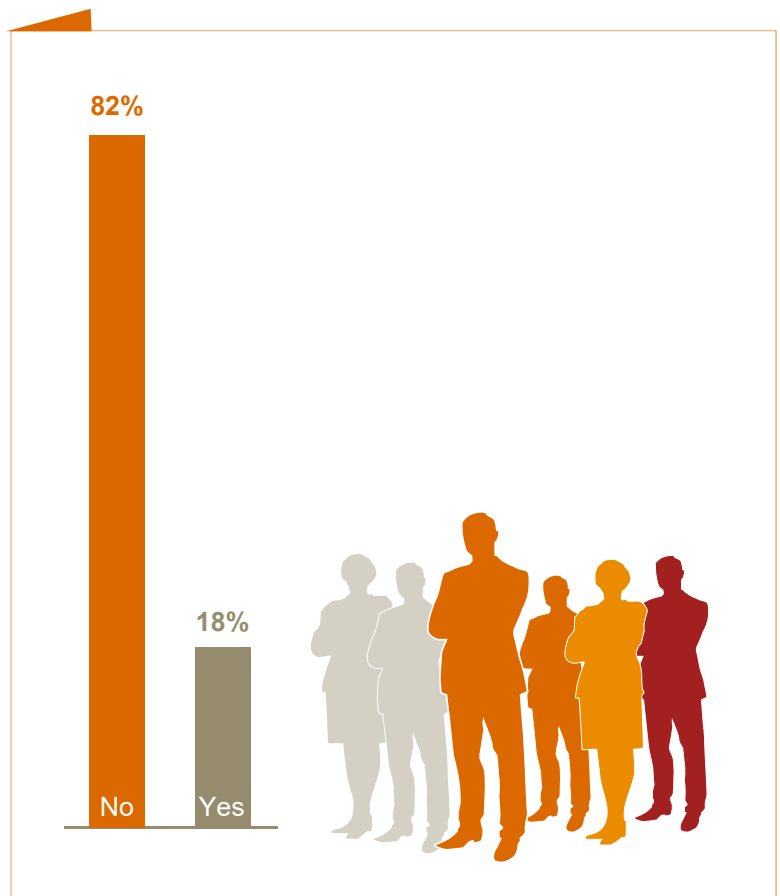
## Board composition

### Does the same individual perform the roles of board chair and CEO/managing director?

The board is primarily responsible for monitoring management performance and exercising objective independent judgment. To strengthen the objectivity of the board and its independence from management, separation of the roles of board chair and CEO is supported. This separation of roles is generally viewed as good corporate governance practice.

According to the results of the survey, the vast majority of directors (82%) indicate that the roles of the board chair and CEO/managing director are separate and distinct.

In our experience steady progress is being made in this area.



## Board composition – refreshing the board

### In your opinion how effective are the following practices at promoting board refreshment?

Directors generally have high expectations about their ability to make a positive contribution. New board members can have meaningful impact by challenging existing perspectives and bringing new ideas and skills to the boardroom.

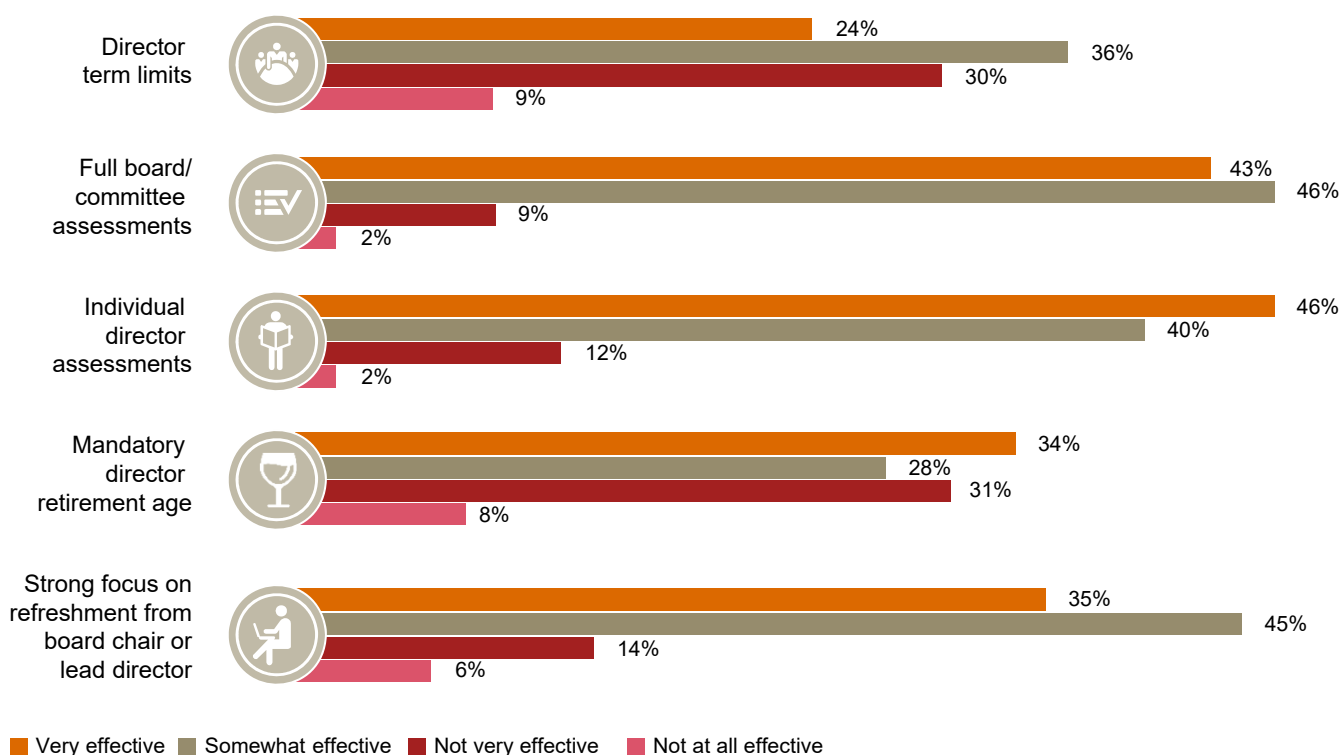
Directors believe that the most effective methods for promoting board refreshment are through individual director (86%) or full board (89%) assessments.

The majority of directors (80%) also agree that a strong focus from the board chair is effective in promoting board refreshment. This view dovetails with the role of the board chair in influencing the direction and culture of the company.

Directors are divided on whether term limits promote board refreshment, 60% indicate that this is effective with the balance being of the view that this tool is either not very effective or not effective at all.

This division of views is reinforced by the fact that in practice a very small percentage (3%) of boards have implemented term limits. Almost half of the survey respondents (44%) have served on their board for over 10 years. This supports the premise that boards may not be adding new skills and experience at the rate they should. That raises the question of whether our companies are willing to step outside their comfort zone and their realm of familiarity to benefit from a wider perspective.

More than half (62%) of these directors say that mandatory retirement age would be at least somewhat effective in promoting board refreshment, yet in reality does this actually happen?

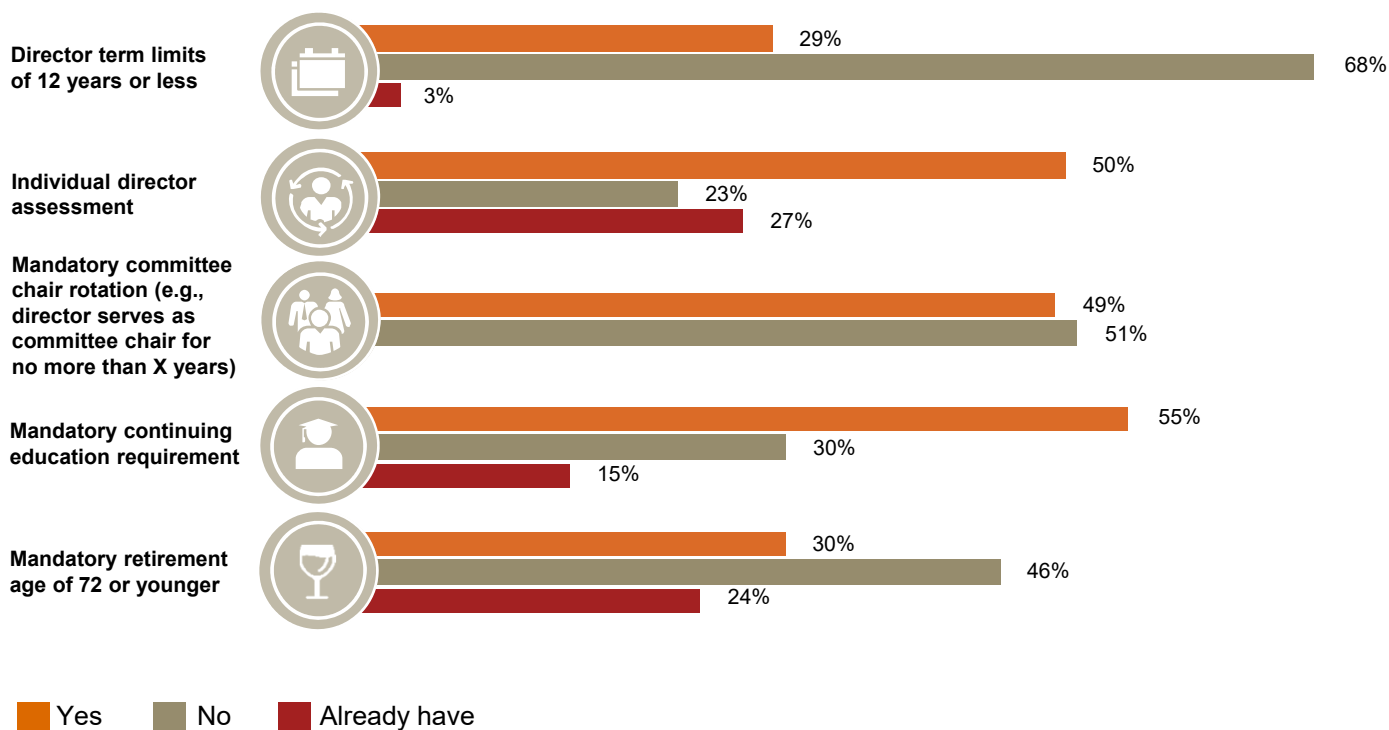


## Board composition

### Do you think your board would be willing to institute any of the following policies?

Almost all directors see the importance of individual director assessments. The value directors place on board assessments is seen in practice with just over one-quarter of the directors stating that individual director assessments are already in place and 50% stating that their boards would be willing to institute such assessments as a policy. The fact that 23% of directors state that their boards would not be willing to implement individual assessments, may still be a cause for concern. As individual directors see the value, it begs the question whether the issue is being adequately considered in the boardroom. It is therefore incumbent on chairs to raise this issue and take decisive action.

Directors also indicate the value that mandatory continuing education brings to the boardroom; 55% state they believe their boards would be willing to institute a mandatory continuing education policy and 15% highlight that such a policy has been implemented. In our view it is of concern that 30% state that their boards would not be willing to implement such a policy.



## ***Board composition***

Boards appear similarly resistant to the implementation of term limits. More than half (68%) of the respondents indicate that their boards would not be willing to institute such limits. This is despite the fact that individually, 60% of respondents believe that such limits can have a very effective or somewhat effective impact.

There is also a resistance to the idea of a mandatory retirement age, even though some publicly listed companies are instituting a variation of this policy. Almost one-quarter (24%) of directors confirm that such a policy already exists, almost 50% state that their boards would not be willing to implement a retirement age. This despite the fact that on an individual basis 62% of directors are of the view that such a policy is valuable.

The negative feedback on board adoption of these policies may be attributable to long serving directors not viewing refreshment as necessary. Board refreshment is easier said than done. There is a risk that implementing this policy may force out experienced directors. Therefore assessments are an important means of balancing the need for refreshment with high level experience.

### **Board refreshment is easier said than done**

**62%** of directors say **mandatory retirement age policies** are effective, but **45%** say their board would **not adopt** a retirement age of 72 or younger



**60%** of directors say **director term limits** are effective but **68%** say their board would **not adopt** term limits of 12 years or less

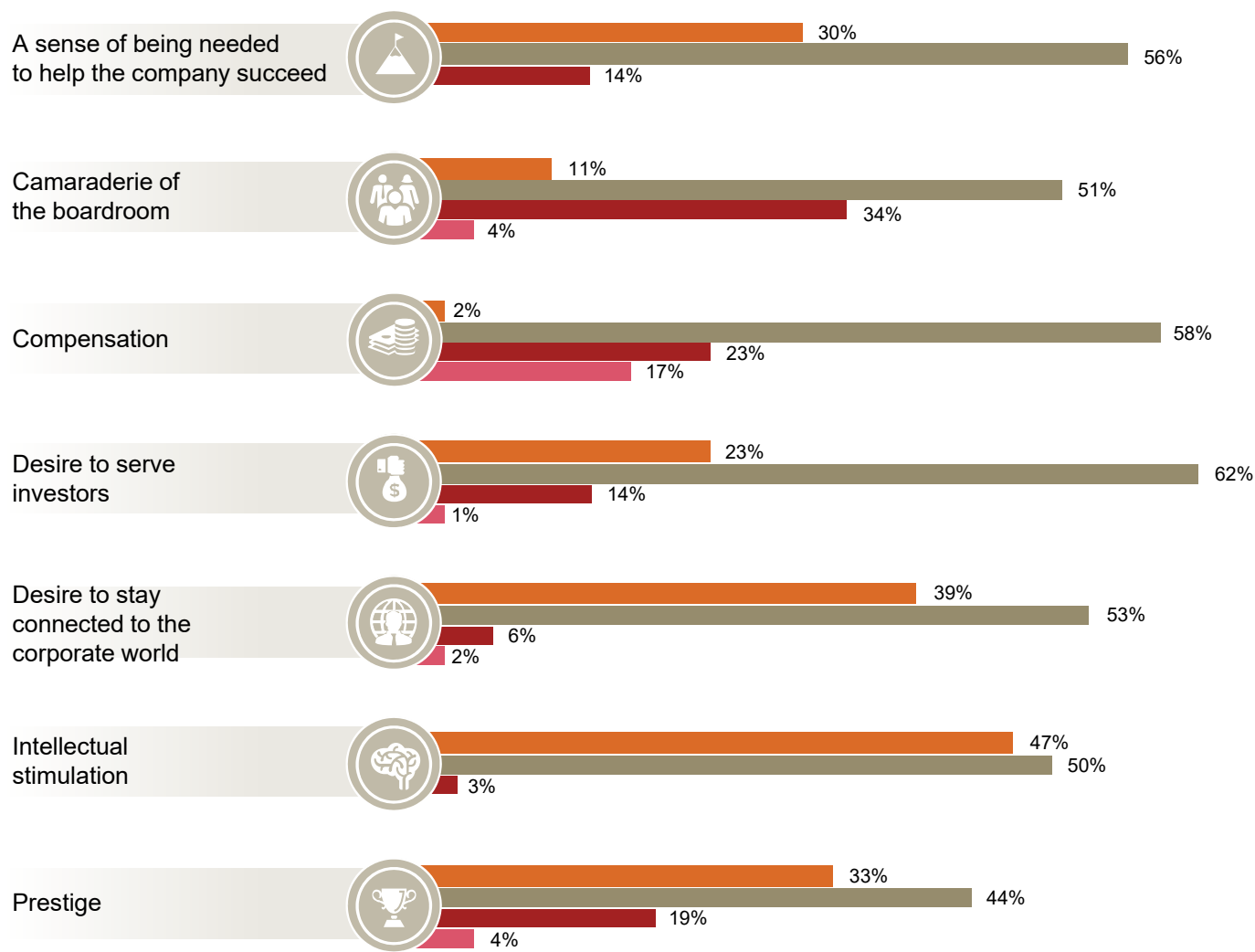
## Board composition – Director motivation

To what extent do you agree that serving on company boards, in general, is driven by the following?

To be an effective director an individual must be adequately motivated to serve. Directors indicate that intellectual stimulation and connectivity to the corporate world are the most compelling reasons to serve, 97% and 92% respectively.

Other key drivers are a strong sense of being needed to help the company succeed (86%), a desire to serve investors (85%), prestige (77%) and camaraderie of the boardroom (62%).

Compensation is viewed by directors as the least important driver for serving on boards.



■ Strongly agree   
 ■ Somewhat agree   
 ■ Somewhat disagree   
 ■ Strongly disagree



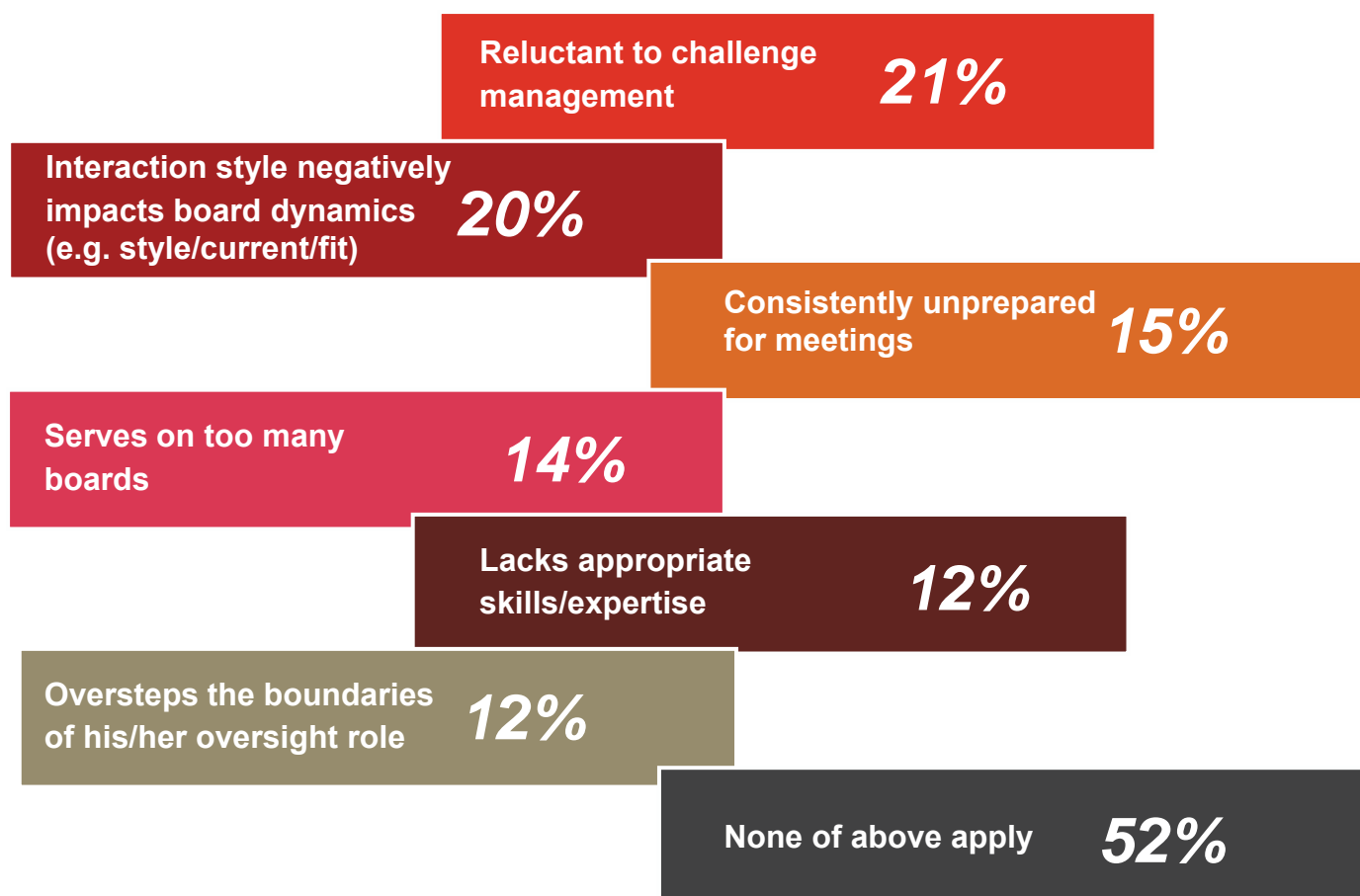
## Feedback on fellow board members

### Do you believe the following about any of your fellow board members?

An effective board needs to work together, bringing individual perspectives, skills and expertise to the boardroom to oversee management's running of the company. How board members view each other is important, as they collectively determine what is in the best interest of the company and its shareholders.

Constructive criticism may have a positive impact depending on how it is given and received. The wide range of concerns, from interaction styles to failure to challenge management, underscores the difficulty of having different personalities seeking to achieve a common goal.

Just over half of the respondents indicate that they did not have any concerns with their fellow board members in these areas. Is this due to a level of familiarity or is there a genuine belief that these issues don't exist?





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## ***Board diversity***

### **How would you describe the importance of having the following skills, competencies or attributes on your board?**

Diversity can include a range of different elements (race, gender, age, experience, expertise) and be defined in various ways such as diversity of background, professional experience or thought.

The types of diversity most relevant to directors is key for boards to determine their focus area(s) for establishing an effective board. Respondents almost unanimously agree that financial expertise, as opposed to financial literacy, is the most valuable competency a director can have. This traditional view still exists despite an international shift towards reliance on audit sub-committees and a focus on the need for more diverse skills and perspectives. In addition, directors also consider operational expertise (95%) and risk management expertise (94%) as important competencies of a board.

Although not the highest priority, directors view age diversity, gender diversity and racial/ethnic diversity as either very important or somewhat important.

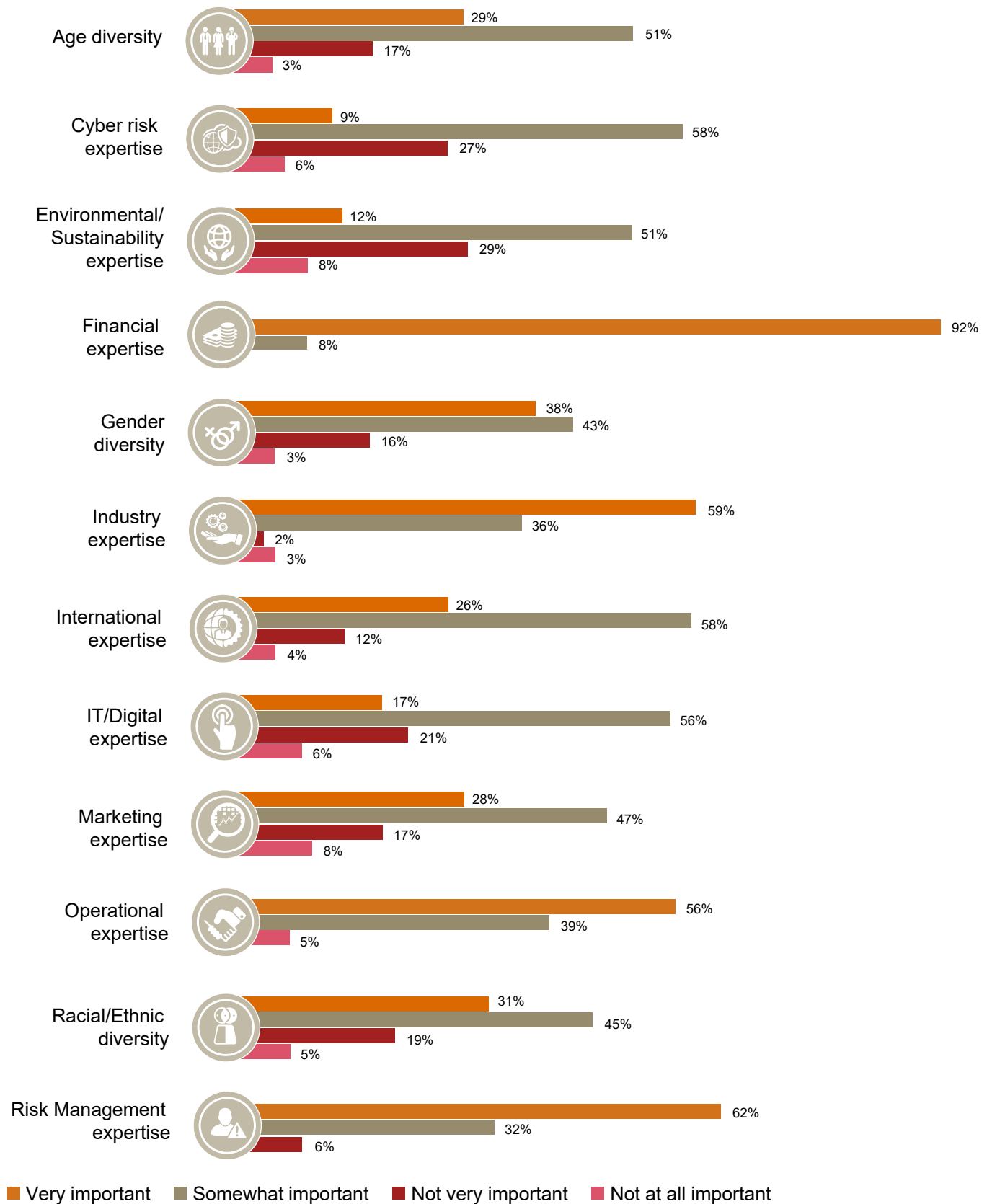
There is concern that nearly one-in-five directors (19%) do not view gender diversity as an important attribute for boards. In reality the majority of directors serving on boards are male with women remaining significantly under-represented. This is despite the fact that studies show that the presence of women on corporate boards and in corporate leadership positions correlates to improved corporate performance. Efforts to diversify must be designed to have meaningful impact and should never be a check-the-box exercise.

IT/Digital expertise is viewed as at least somewhat important by 73% of directors. Interestingly, directors did not consider cyber risk expertise as a high priority. This is viewed as one of the least valuable skills with only 9% deeming it to be very important and 58% as somewhat important.

The responses indicate that directors still prioritize competencies traditionally seen as directly relevant to their company's operations. Less value is placed on personal attributes, such as race or gender that allow a different, less traditional perspective even when combined with more traditional expertise.



# Board diversity

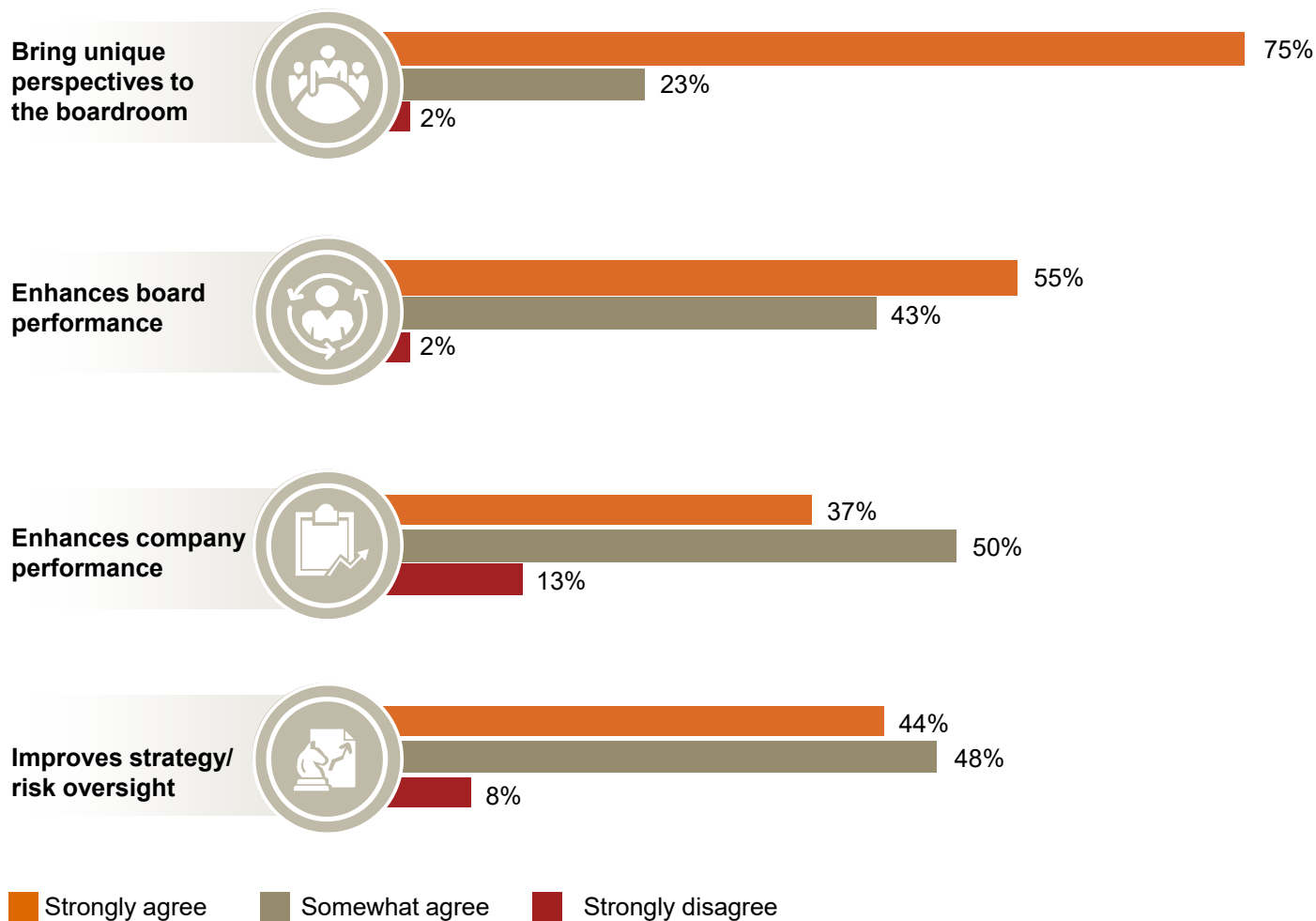


## Board diversity

### To what extent do you agree with the following about board diversity?

The value diversity adds to a board and its business is not in question. Directors recognise the importance of board diversity. They overwhelmingly agree (98%) that board diversity brings unique perspectives to the boardroom. Similarly, many also agree that board diversity enhances board and company performance.

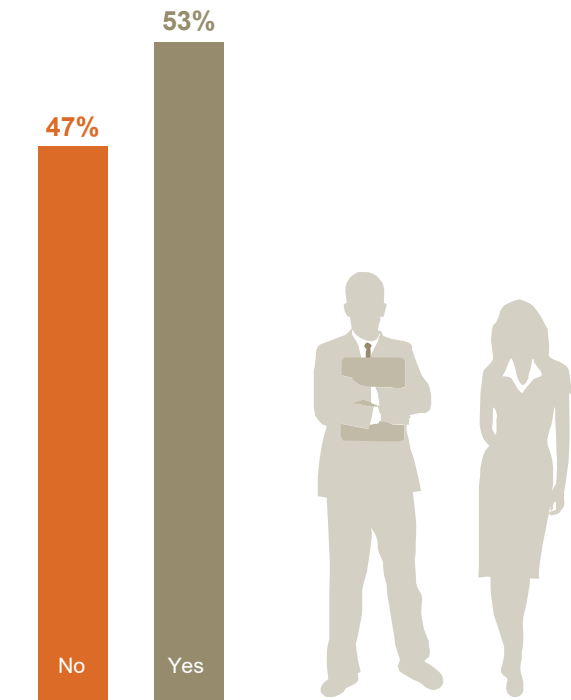
The question remains whether this recognised importance translates into action. Director selection criteria aimed at recruiting individuals with diverse attributes such as gender, age and race will depend on the strategy of each board and the effective leadership of the chair.



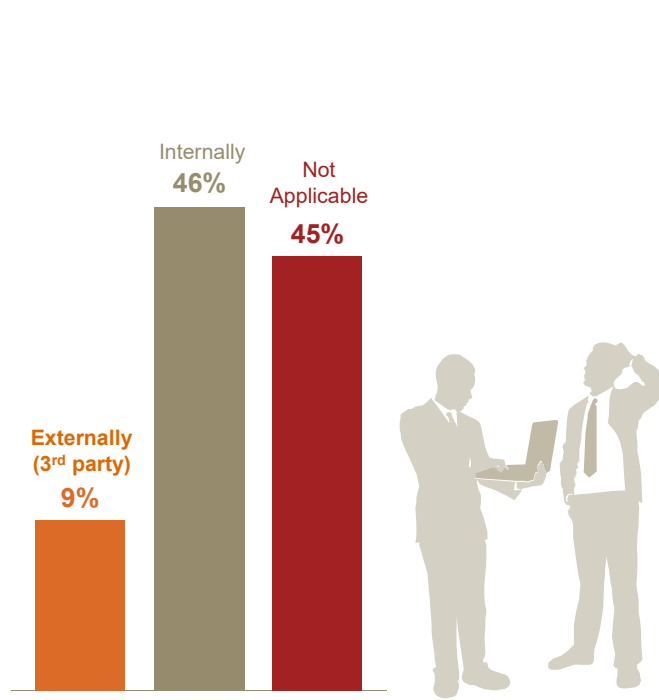
# Board practices

## Assessing board performance

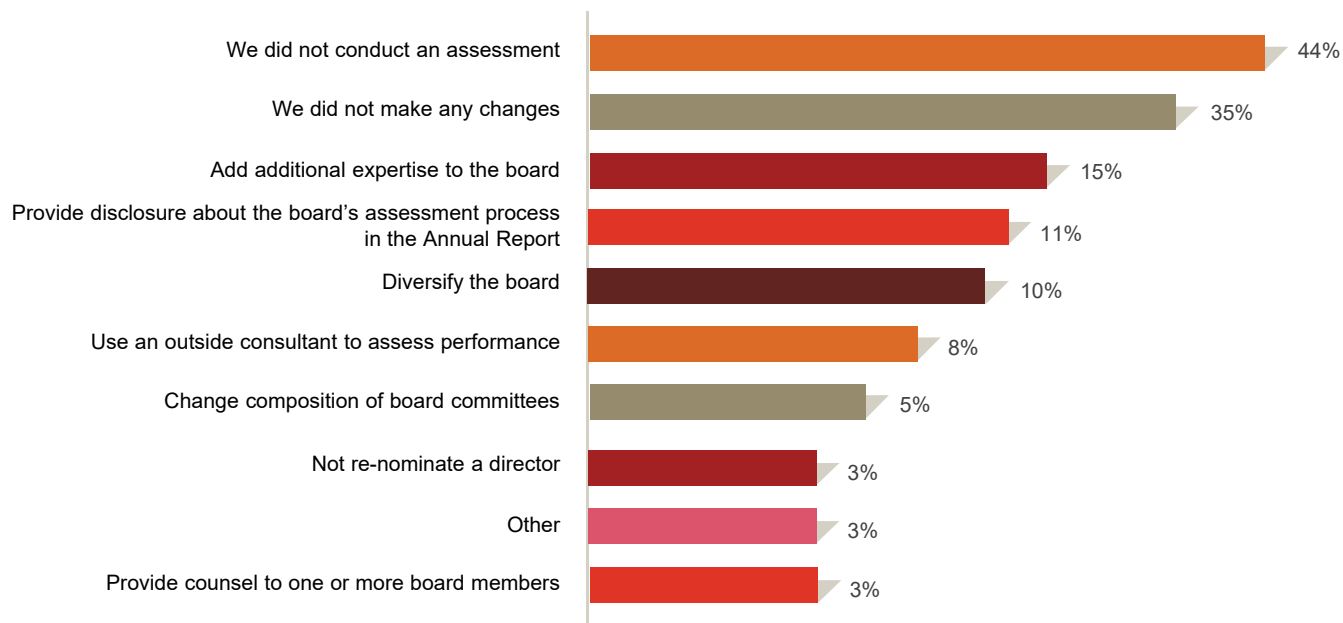
In the last 12 months, has your board been subject to a performance assessment?



Was the performance assessment conducted internally or externally?



In response to the results of your last board assessment process, did your board decide to make any of the following changes?





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## ***Board practices***

### **Assessing board performance**

The performance assessment process, whether conducted for individual directors, committees or the board as a whole, can greatly assist in improving effective corporate governance. A thorough and well-conducted board performance assessment can assist in evaluating the current performance of the board against corporate governance best practice and within the context of each business.

Only 53% of directors were subject to performance assessments in the last 12 months and the vast majority of these were internal assessments. Only 9% indicate that they were subject to an independent external assessment.

The attitude of companies towards performance assessments requires change in Barbados. Boards that view the assessment process as a means of achieving continuous improvement rather than an annual 'check the box' exercise, are those that will yield greater results.

Responses suggest that companies do not fully recognize the value of board assessments and that most of the companies which do, may not fully appreciate the value of independent external assessments.



Only 9% of directors indicate that they had an independent external assessment

Board assessments are tools for driving positive change and very often, action is needed in order to improve performance. We asked directors who were subject to board assessments, to identify changes that were implemented. It is of concern that 35% of the 53% actually assessed say that no steps were taken by their board post assessments. Effective boards are disciplined in identifying key action points arising out of assessments. There is still insufficient follow up action by boards in holding themselves accountable for actions that drive positive change.

The most popular changes which were actually made among those boards which took action, were recruiting additional expertise to the board, disclosing the board's assessment process in the Annual Report to shareholders and diversifying the board. The implementation of these initiatives is important in improving effective corporate governance. A robust, diverse board that engages actively with shareholders has a strong foundation for long-term success.

Another important change that can arise from well-conducted performance assessments is the provision of counsel to board members to ensure that they meet or exceed expectations. However, only 3% of directors who were subject to board assessments say that their boards took this action.

## ***Board practices***

### **Assessing board performance**

#### **In order to create value from the assessment process, PwC recommends:**

- **Change the culture.** The first step towards benefitting from performance assessments is to recognise the potential value they bring to the governance of companies. Results indicate that local corporate culture needs to change.
- **Focus on leadership.** Corporate leaders are the key drivers of change - they set the tone at the top. Effective board leadership can have a positive impact if the board chair is willing to drive robust performance assessments, have difficult conversations and provide honest feedback to directors.
- **Periodic independent assessments.** Boards that are open and honest about the challenges impeding their performance are the ones that can improve and excel. A periodic independent assessment can be a valuable tool in inviting candid feedback on board performance. Board interviews can also be considered in addition to survey forms as they tend to elicit greater participation and feedback. Results indicate that most boards are not conducting independent assessments.
- **Improve investor engagement.** Companies who wish to prosper in the current local economic climate, should consider the importance of attracting investors. One key way to do so is to have high levels of positive engagement with stakeholders. Disclosure of the board assessment process provides stakeholders with a greater understanding of board performance, adds transparency and promotes confidence in the stewardship provided by the board.
- **Take action.** Effective boards take responsibility for negative feedback arising out of performance assessments and hold themselves accountable to take action to improve on areas of weakness, including board refreshment where required.



## Director education

### In the last 12 months, has your board received continuing education on any of the following topics?

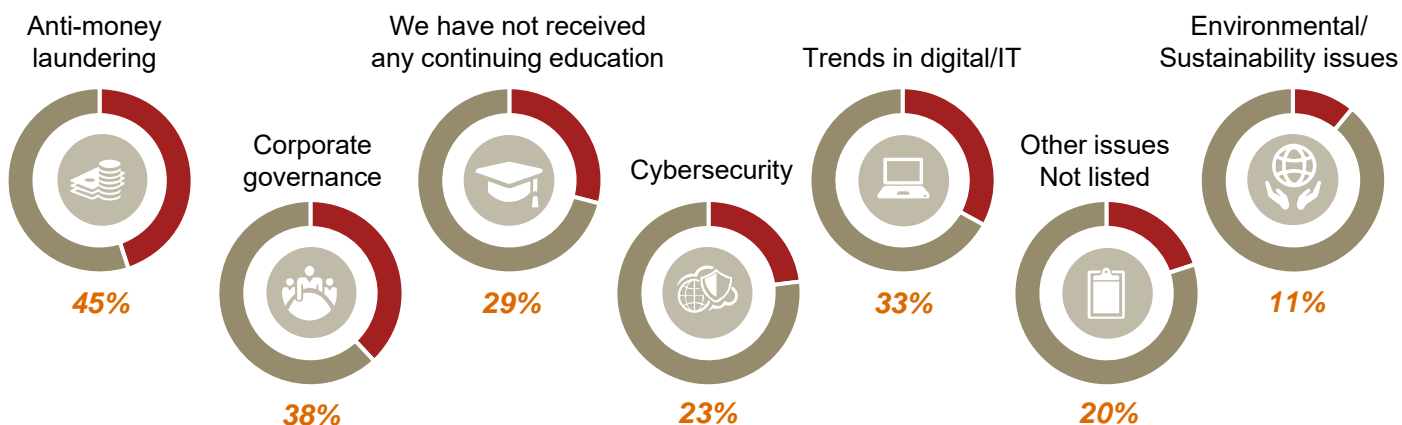
Shareholders and other stakeholders expect directors to demonstrate knowledge and expertise on a wide range of issues which impact their companies.

It is not easy to keep up with the changing pace of business. In order to do so, boards need to rely on continuing director education in order to fill gaps in their knowledge and to introduce new skills in an increasingly demanding environment.

Directors indicate that their boards received continuing education on various topics. Anti-money laundering and Corporate Governance were the most common areas of training received by directors within the last 12 months.

Anti-money laundering is a serious issue in the current corporate environment as more sophisticated and technologically savvy schemes are being implemented to launder funds. Directors are expected to be familiar with local regulations and international best practice trends in order to contribute meaningfully. Directors are also expected to understand and embrace corporate governance. Effective understanding and implementation of corporate governance best practices is truly an important pillar in long-term corporate sustainability. Directors received the highest levels of training in these areas but results below 50% are still concerning.

Other areas which were identified were cybersecurity (23%), trends in digital information technology (33%) and environmental/sustainability issues (11%). Almost one-third of directors (29%) indicate that they have not received any continuing education over the past 12 months. This suggests that there is much room for improvement since ongoing director education is fundamental in ensuring effective board performance. It is vital to ensure that board members are properly educated on the constantly evolving issues and areas that impact their businesses.







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## ***Effectiveness of the board chair***

### **How effective is your board chair at the following?**

The board chair provides leadership to the board. Strong and effective board chair leadership is critical to positively influence board culture.

We asked directors to rate the effectiveness of their board chairs in several key performance areas.

It is worth noting that 49% of respondents say that their board chair is only somewhat effective in providing counsel to the CEO/managing director. Similarly 38% indicate that their board chair is only somewhat effective in challenging the leader of the executive team when necessary. The separation of these roles is a fundamental principle of good governance, and speaks to the need for strong oversight and guidance by the chair. As such being only somewhat effective in these areas is inadequate.

An overwhelming 98% of respondents say that their board chair is at least somewhat effective in obtaining board consensus. The majority (95%) also say that their board chair is very or somewhat effective in conducting meetings effectively and efficiently.

Directors were also satisfied with the level of shareholder engagement driven by their board chair, as 93% say that they are very or somewhat effective at communicating with shareholders at annual general meetings.

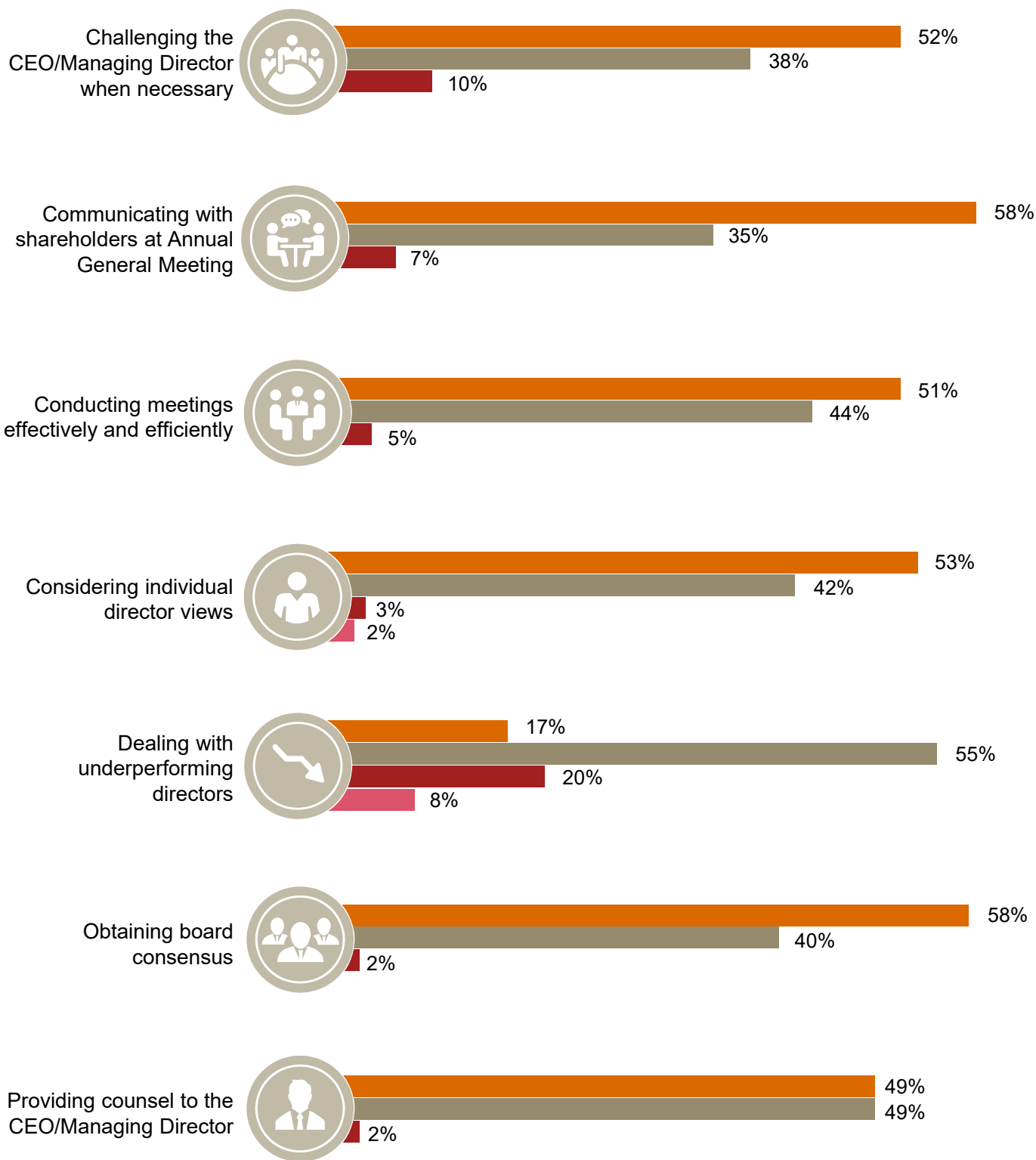
These responses are promising and suggest that directors generally feel comfortable with the level of engagement between themselves and their chair, their chair and management and their chair and shareholders.

Directors however feel board chairs can show improvement in dealing with underperforming directors - 28% of them say that their chairs are not very or not at all effective in dealing with underperforming directors. These responses suggest a reluctance to take action to address weaknesses, an approach which may be rooted in a board culture that promotes artificial harmony. Board chairs can readily address these issues by conducting robust performance assessments which provide a basis for difficult conversations with underperforming directors.



**49%**  
of directors say that their board chair is only somewhat effective in providing counsel to the CEO/managing director

## Effectiveness of the board chair



■ Very effective  
 ■ Somewhat effective  
 ■ Not very effective  
 ■ Not at all effective

## Management communication to board

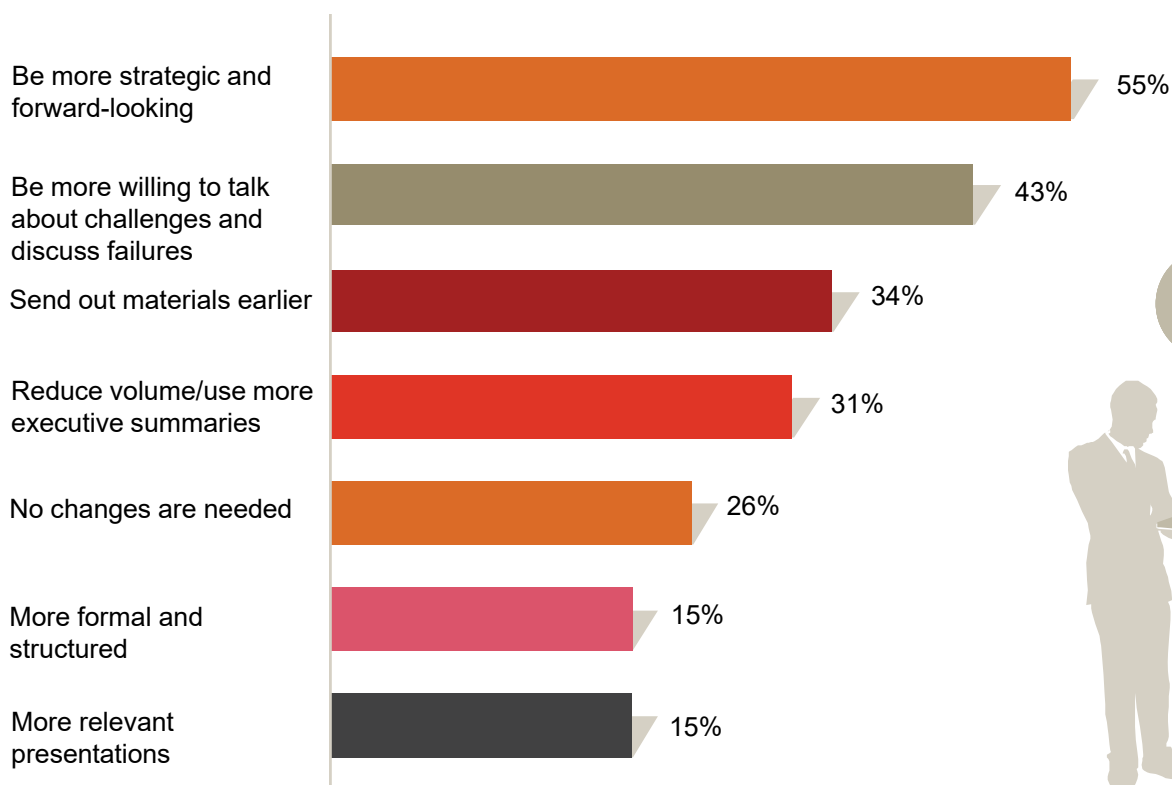
### Which of the following changes would you like to see management make to board presentations/materials?

Reliable information from management is vital in allowing directors to make well-informed decisions regarding the best interests of their companies. This information often forms the basis of corporate decision-making and should be clear, concise, relevant and distributed sufficiently in advance of board meetings in order to ensure quality decision making at the board level. Our respondents are not pleased with the performance of management in this area.

Directors (55%) say that board presentations and materials should be more strategic and forward looking. This response suggests that there is a reactive corporate culture which is of concern given our current economic climate.

Directors (43%) also say that management teams need to be more willing to discuss failures and address challenges. This response suggests a lack of accountability by some management teams and a lack of focus on the difficult issues which, if unaddressed, can have detrimental consequences on a business.

Approximately 34% of directors are concerned about receiving board materials with insufficient time to review. These board materials are also deemed unnecessarily voluminous. Such practices can have a negative impact on a director's ability to properly consider and address important issues and make informed decisions. Herein lies the risk of directors relying too heavily on the views of management in lieu of independent analysis. This undermines the fundamental responsibility of the board in overseeing the executive function.

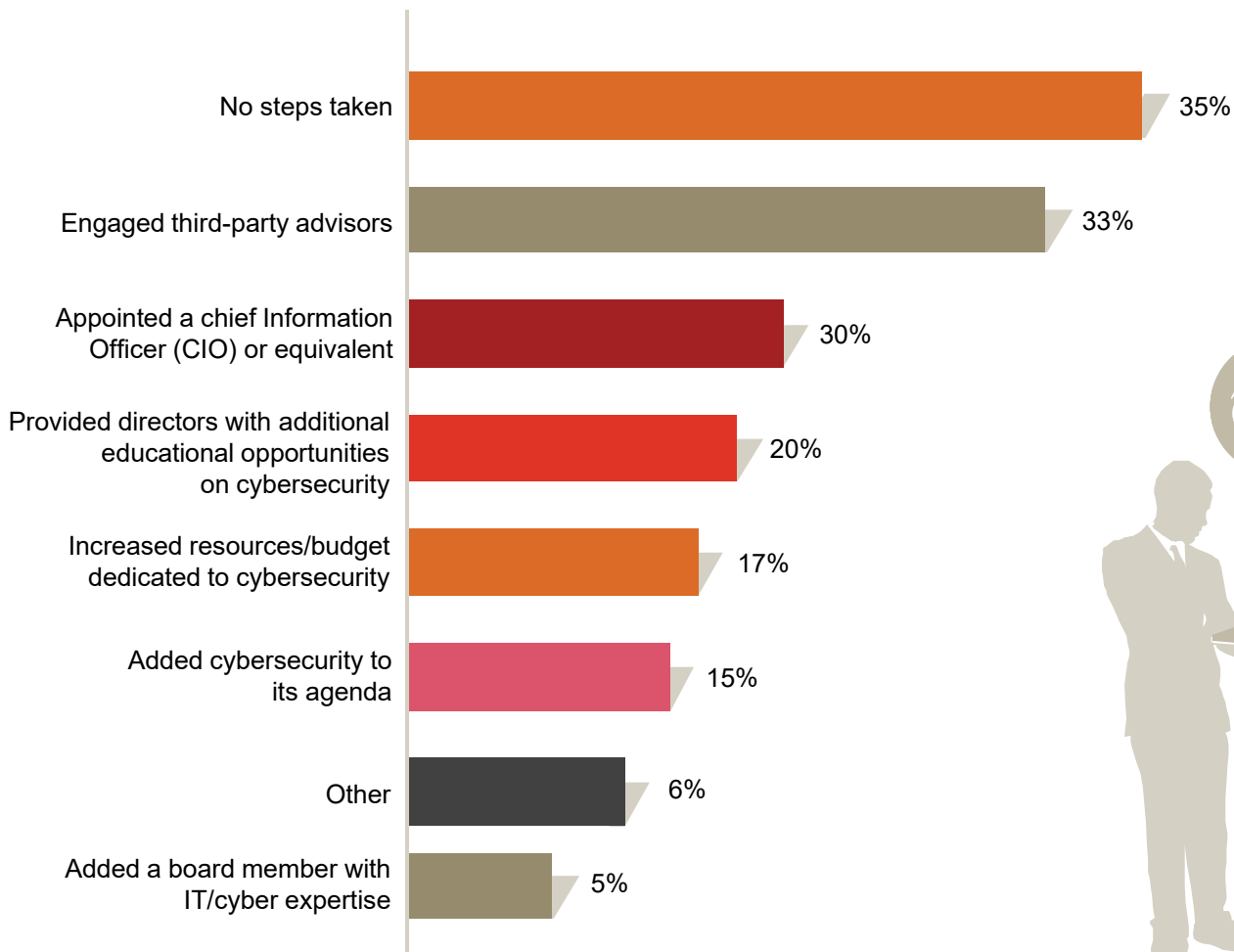


## Cybersecurity, IT and digital

### Which of the following steps has your company/board taken to prepare for potential cybersecurity incidents?

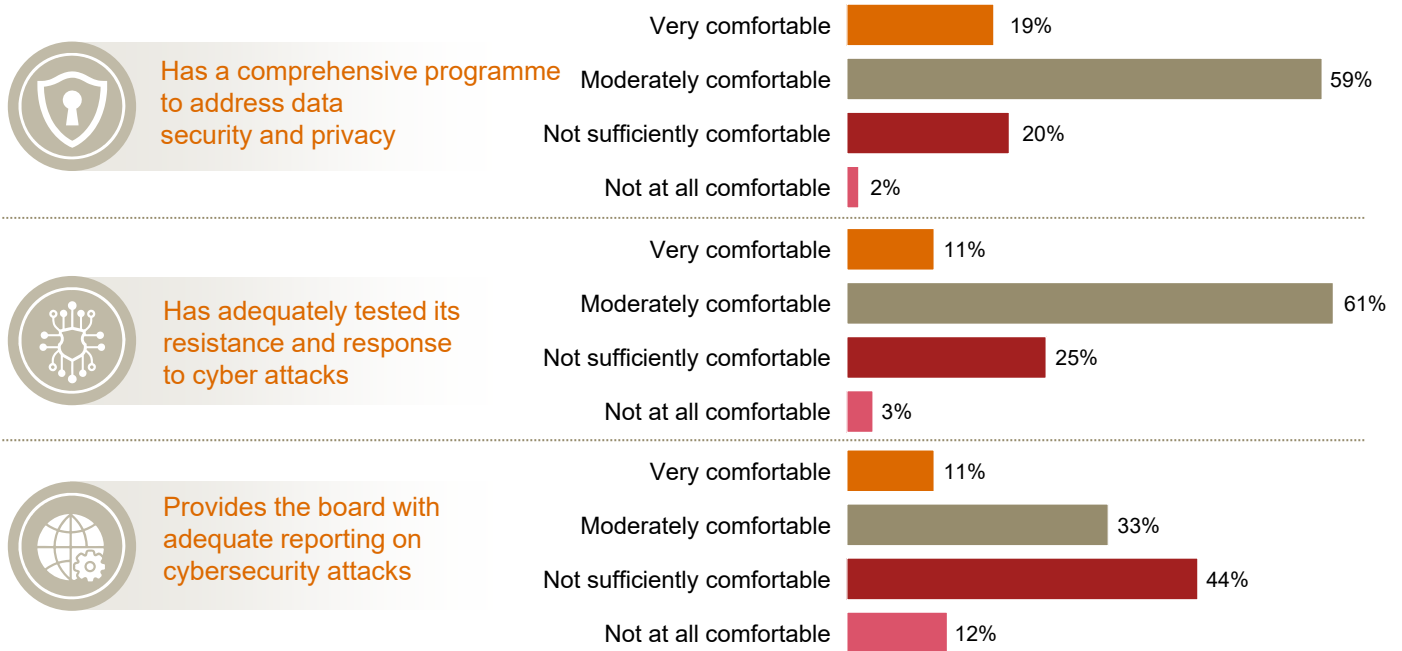
A board's duty is to oversee management's running of the business, including taking adequate measures to ensure that key risks like cybersecurity are being properly addressed. Recognising the critical nature of this issue, which affects the entire company, it is surprising that a little over one third of directors (35%) state that the company has not taken any steps to prepare for a potential cybersecurity incident. This is supported by directors' views of cybersecurity knowledge as one of the least important attributes of a director.

Some measures have been taken by boards pertaining to cybersecurity, but is it enough? Directors cite actions taken such as: adding cybersecurity to board agendas, providing directors with additional educational opportunities on cybersecurity and increasing resources dedicated to cybersecurity. One-third of directors indicate that their companies have engaged third party advisors to assist with preparation for potential cybersecurity incidents.



# Cybersecurity, IT and digital

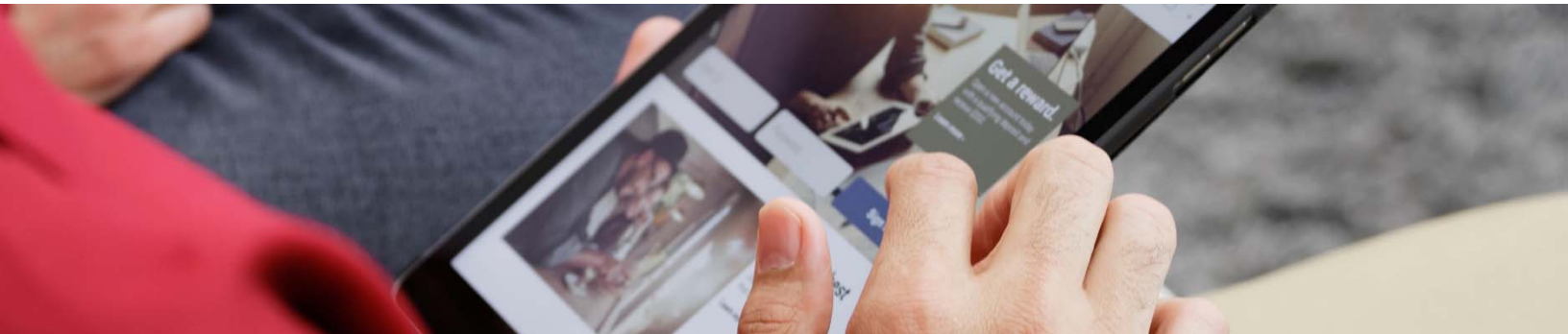
## How comfortable are you that management...



Directors (78%) are at least moderately comfortable that their companies have comprehensive programmes to address data security and privacy. Similarly they believe that adequate tests have been carried out on their companies’ resistance and responses to cyberattacks (72%). In contrast 35% state that their companies have not put in place any cybersecurity measures. Measures actually implemented, such as inclusion on the board agenda and board training cannot be sufficient to combat or minimize a cyber-crisis.

Directors generally believe that management’s communication to the board on cybersecurity requires improvement. More than 50% of directors are not comfortable that their board is provided with adequate reporting on cybersecurity metrics.

This begs the question whether this is truly a priority for directors despite there being recent high profile incidents of Barbados companies being attacked by hackers. This lack of proactivity suggests an unwillingness to confront a daunting but very real risk.



## Strategy and risks

### With regard to crisis management oversight (e.g., cyberattack, natural disaster, financial reporting fraud allegations) has your board/company taken any of the following steps?

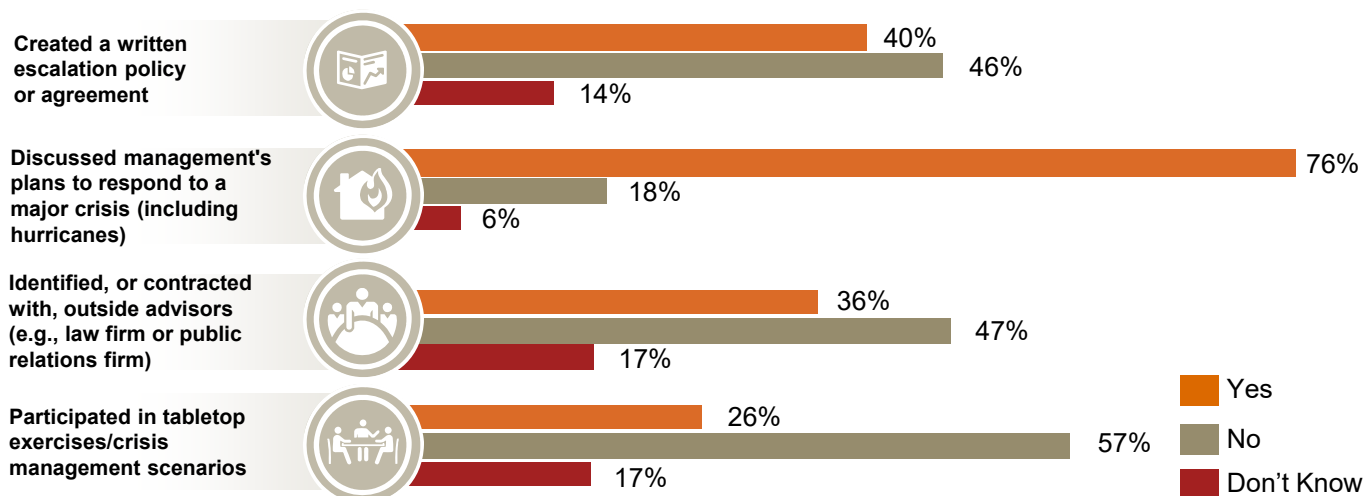
Given the vulnerability of the Caribbean to potentially devastating hurricanes and other natural disasters, crisis management oversight must be at the top of the board's risk oversight agenda. Directors (76%) indicate that their board/company has discussed management's plans to respond to a major crisis (including hurricanes). This is a relatively high number but there is room for improvement.

While boards have discussed plans, it appears that little concrete action has resulted. Only 40% percent of directors indicate that their board/company has created a written escalation policy or agreement to deal with crisis management oversight, while 46% percent indicate that their board/company has not created any such policy or agreement. Some 14% are not aware whether such a policy has been created.

The creation of a policy may be the responsibility of the risk management committee or the risk management officer in larger companies, but the ultimate responsibility for oversight rests with the board. Companies in Barbados, regardless of their size, can ill afford not to have policies or agreements in place.

Once this critical issue has been discussed and a policy written, these first two steps are only effective if further decisive action is taken. The counsel of outside advisors and experts on crisis preparedness related issues is key in crisis management oversight. Only 36% percent of directors indicate that their board/company has identified or contracted with outside advisors, while 47% percent indicate that they have not. Disappointingly only 26% percent of directors have participated in tabletop exercise/crisis management scenarios.

The overall results suggest that many companies in Barbados are ill-prepared for a crisis. Crises may result from a wide range of causes (acts of nature, cyberattack, financial reporting, fraud allegations). The time to formulate a plan is not after a crisis has occurred. Much work must be done by boards/companies to address this important issue.



## Strategy and risks

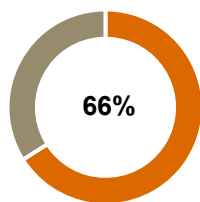
**Companies' reputations may be damaged by what could be called failures in their corporate culture. Has your company taken any of the following actions to address corporate culture?**

Failures in corporate culture may contribute to corporate scandals and, in some cases, cause irreparable damage to companies' reputations. This will ultimately undermine shareholder value. Corporate culture is therefore one of the key risk management areas that must engage the attention of a company and its board.

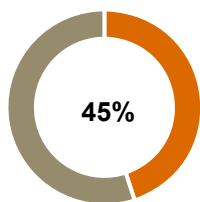
Companies in Barbados have taken several actions to address corporate culture. The three most common actions are centered around the employees, who are at the heart of the culture of a company. These actions are:

- conducting employee development or training programmes (66%),
- conducting an employee culture assessment or survey on key issues (45%); and,
- revising compensation plans (34%).

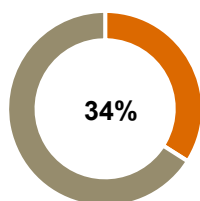
These are useful actions as the development and training of employees is critical in maintaining high ethical standards and work practices.



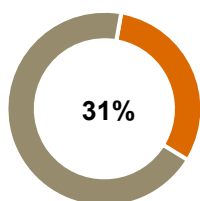
Enhanced employee development/training programmes



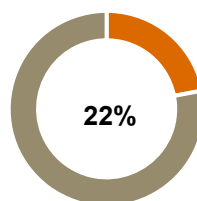
Conducted an employee culture assessment/survey on key issues



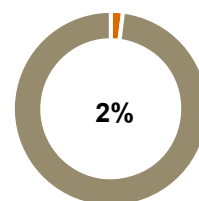
Revised compensation plans



Reviewed and/or amended crisis management plan



We have not taken any actions



Others

The measurement of the tone throughout the organisation by means of employee surveys is a key tool in assessing corporate culture. Poor or inadequate compensation may lead to employee disengagement or worse.

Companies must have effective crisis management plans in place to limit damage from a crisis. Plans must be reviewed and updated on a regular basis to ensure relevance. Yet, only 31% indicate that their company reviewed and/or amended its crisis management plan. Companies may be comfortable with their existing crisis management plans or the review of these plans may not yet have engaged the attention of the company and board. Given the negative impact and reputational damage that may result from a major crisis, this is a cause for concern and must be addressed by the appropriate committee (where applicable) and the wider board. Respondents (22%) indicate that their company had not taken any actions to address corporate culture. Companies and boards ignore corporate culture at their peril given the risks poor culture presents.

One director indicated that his/her company had appointed a shareholder relations executive. This positive step is likely with a view to ensuring an ongoing line of direct communication between shareholders and the board outside of AGMs.



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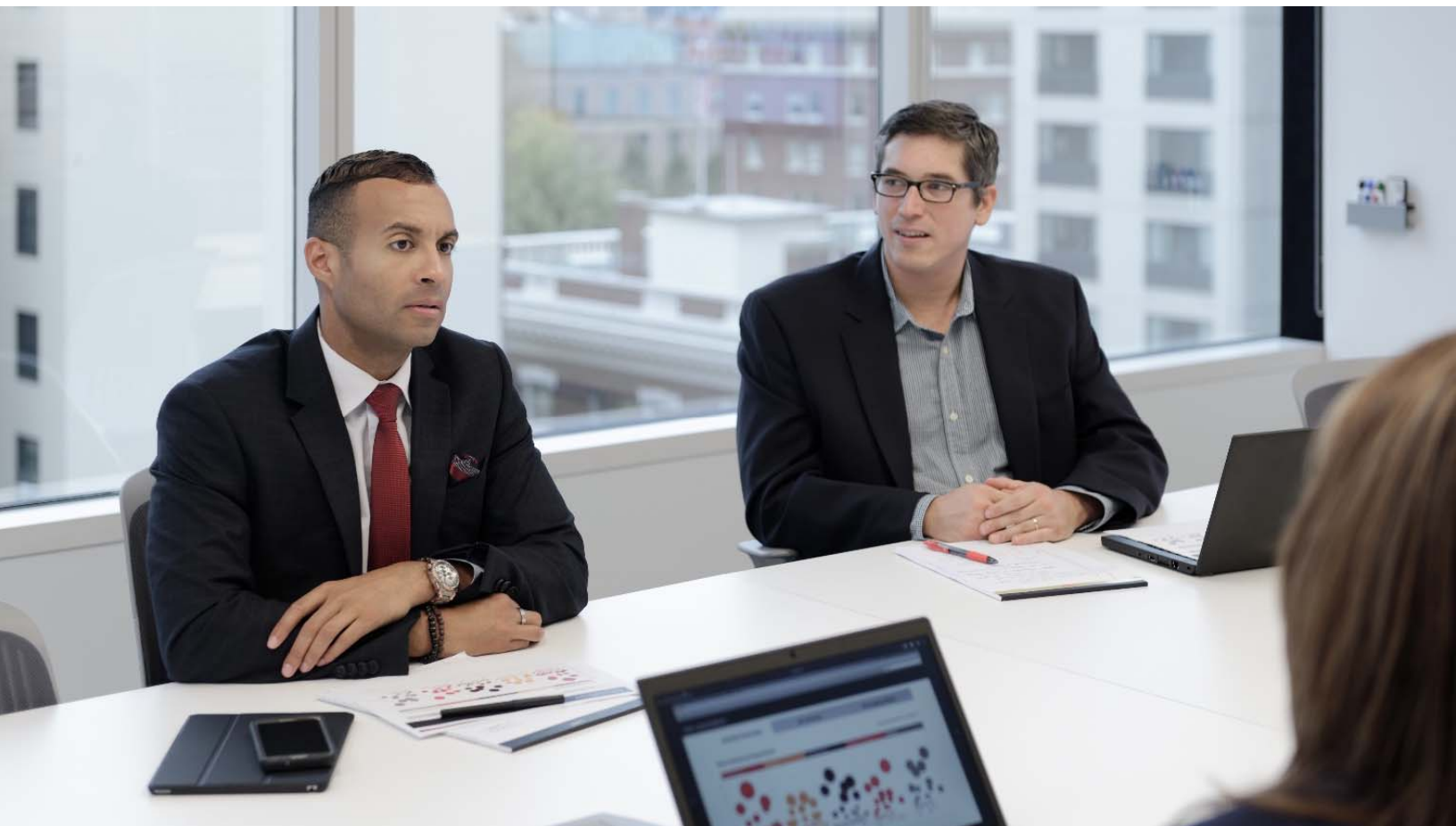
## ***Strategy and risks***

### **To what extent do you agree or disagree that the following factors contribute to problems with corporate culture?**

A significant majority of respondents (85%) are of the view that the largest single contributor to problems with corporate culture is the tone set by the executive team. However, 79% also identify the tone set by middle management as a contributing factor. Directors recognise the important role both the executive team and middle management play in influencing corporate culture. They also take responsibility by recognising the importance of board supervision, with 78% of directors identifying insufficient board oversight as a contributor.

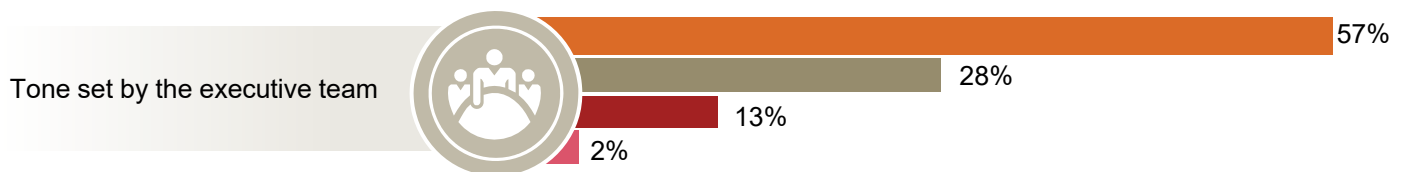
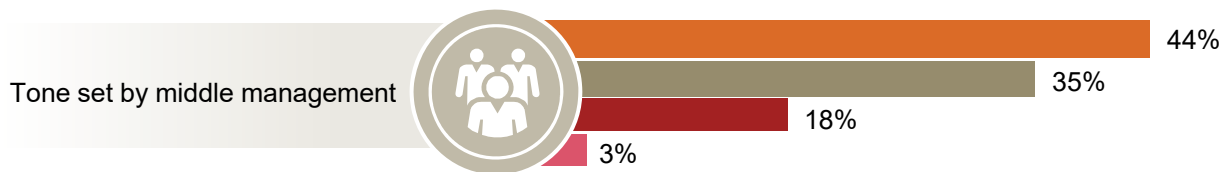
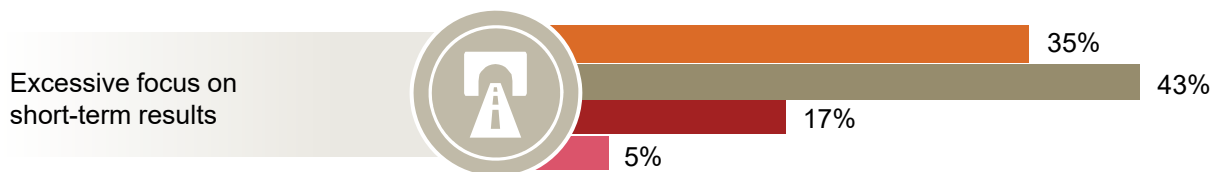
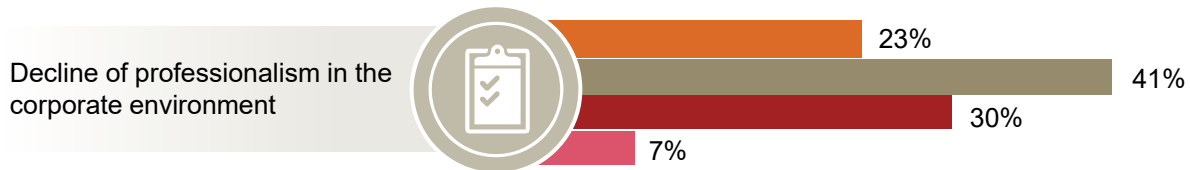
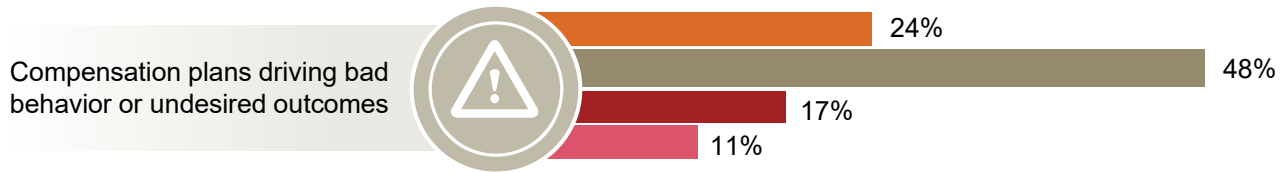
Is short-term pressure an issue when it comes to corporate culture? Seventy-eight percent of directors think so, agreeing that an excessive focus on short-term results can lead to problems. Directors need to be able to balance the need to achieve short-term results with the ongoing need to keep corporate culture on their agenda.

Only 17% of directors indicate that their companies have revised compensation plans. However, 72% of directors believe that compensation plans driving bad behavior or undesired outcomes lead to culture problems. Unrealistic performance targets linked to executive bonuses will always have the potential to drive unethical choices.





## Strategy and risks



■ Strongly agree   
 ■ Somewhat agree   
 ■ Somewhat disagree   
 ■ Strongly disagree

## Strategy and risks

### Which of the following do you use to evaluate your company's corporate culture?

Employee engagement is by far the most common means directors use to evaluate their company's corporate culture (71%). This allows the board and management to gauge the mindset of the largest human element of any business.

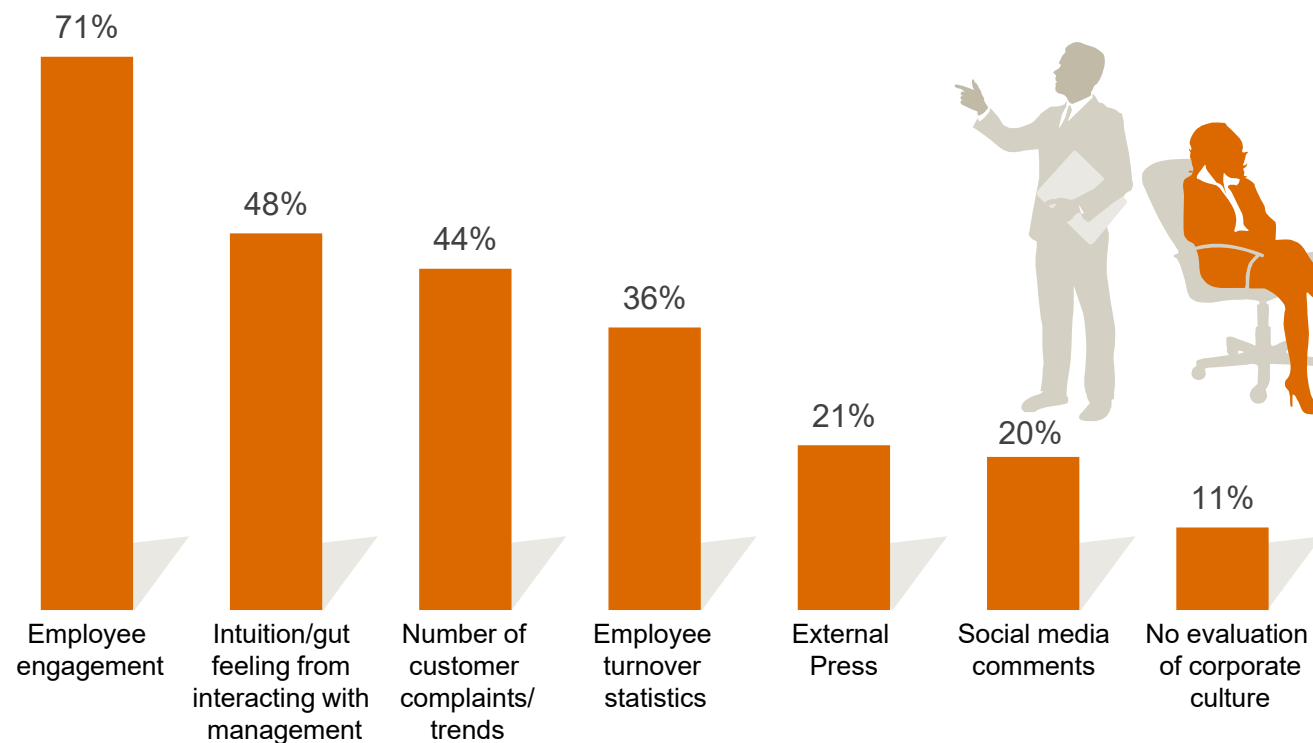
How else do directors do this? Some 48% rely on their intuition or gut feeling from interacting with management to evaluate the culture. In order to effectively evaluate, directors must interact with management on a consistent basis and not only at board meetings. Directors should solicit the views of employees who are not part of management as they can offer an important and different perspective.

Other tools directors use are reliance on:

- customer complaint trends (44%),
- employee turnover statistics (36%),
- external press (21%); and,
- social media comments (20%).

The tools for evaluating culture are many and varied but what is clear is that unaddressed culture issues can lead to a major crisis.

The assessment of culture must therefore engage the attention of the board at a wider level even if specific committees have oversight of aspects of corporate culture.



Other 1%

## Strategy and risks

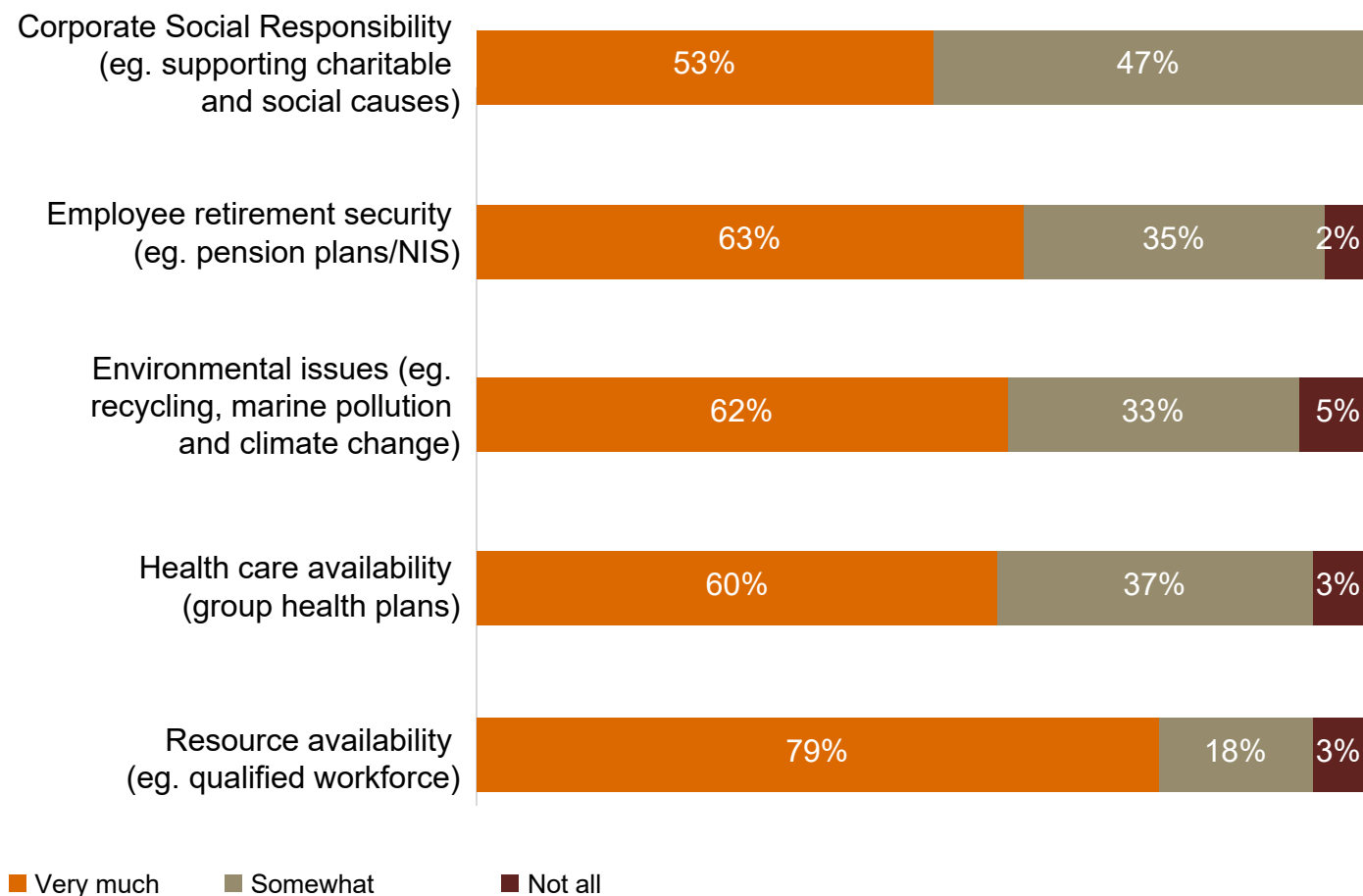
### To what extent do you think your company should take the following social issues into account when forming company strategy?

Resource availability is one of the primary social issues directors (79%) think their company should take into consideration when forming strategy. It is notable that 60% identify health care (group health plans) as another such issue, making the connection between strong performance and a healthy workforce.

The ability of individuals to plan their future feeling secure and supported in their roles as they plan for retirement cannot be underestimated. This allows for a level of commitment to an employer and peace of mind

for the employee, which benefits the company. Directors appreciate the significance of this with 63% citing employee retirement security as a very important consideration in company strategy.

Directors are sensitive to shareholders and the wider stakeholder group (employees and customers) becoming increasingly aware of the state of our environment (62%). Our tourism-dependent economy can ill afford the ongoing impact of plastics, marine pollution and climate change.

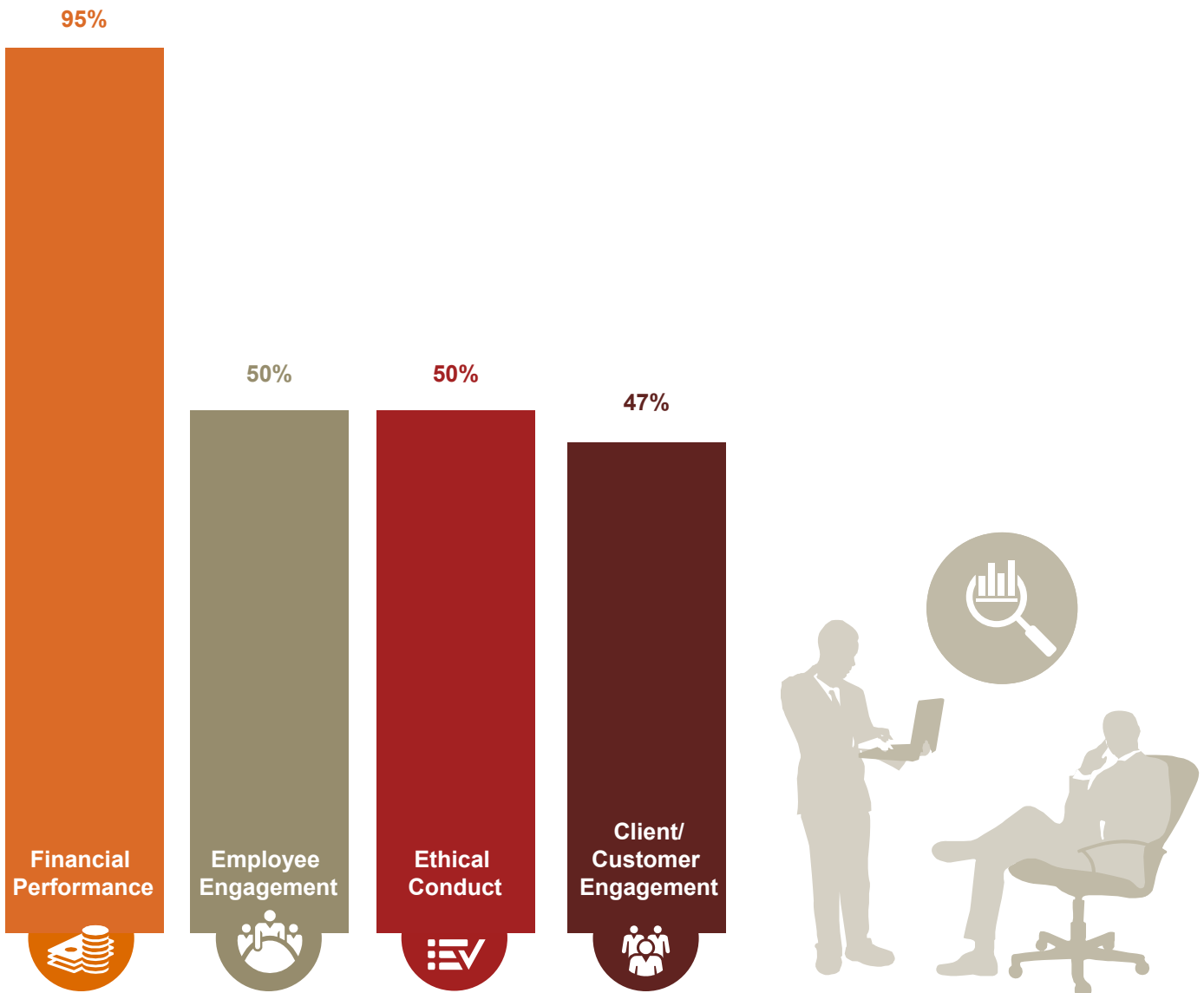


## Executive compensation

### Does your company's executive compensation structure take the following into account?

An overwhelming 95% of respondents state that their companies view financial performance as the most important consideration in relation to executive compensation structure. The implication is that financial performance targets are still the main driving force for the financial health of a company. This is viewed as nearly twice as important as either employee engagement, ethical conduct and client/customer engagement.

Greater importance must be placed on ethical conduct given the current climate and inter relation between employee engagement and client/customer engagement. Ultimately, retention of customers and positive ethical conduct, in a healthy working environment, have a greater long term positive impact on financial performance than an environment void of ethical behavior.



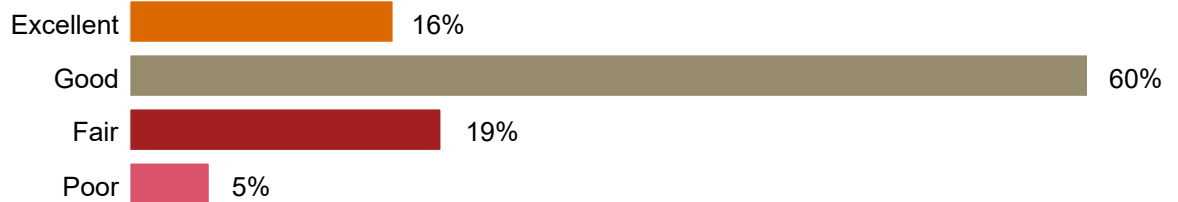
# Talent management

How would you rate the job your company does on the following aspects of talent management?

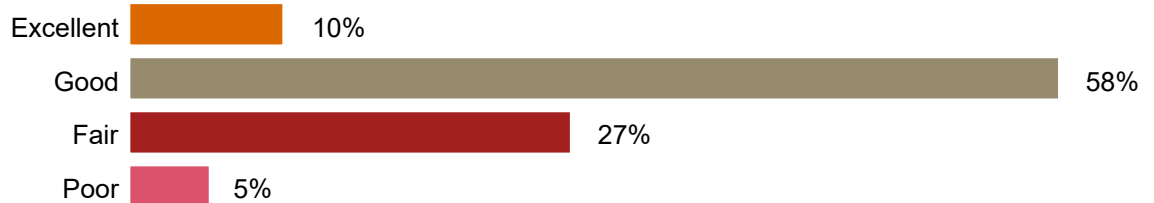
Areas of talent management where the directors give their companies high marks:



## Competitive pay and benefits



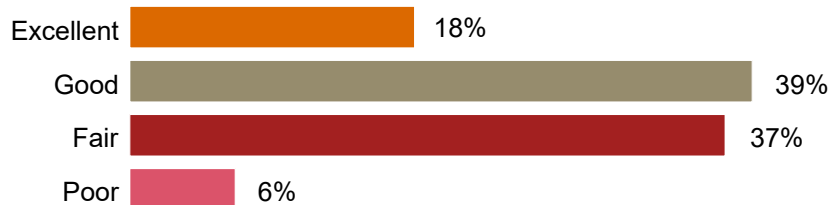
## Developing and retaining talent with requisite skill set



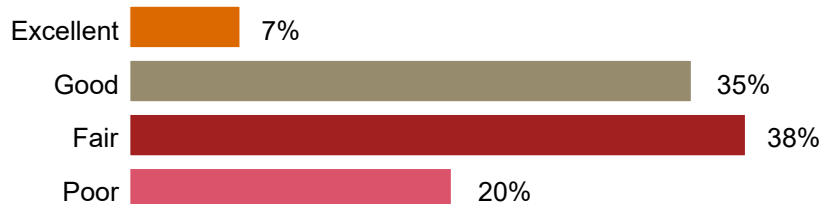
Areas of talent management where companies could improve:



## Management succession planning

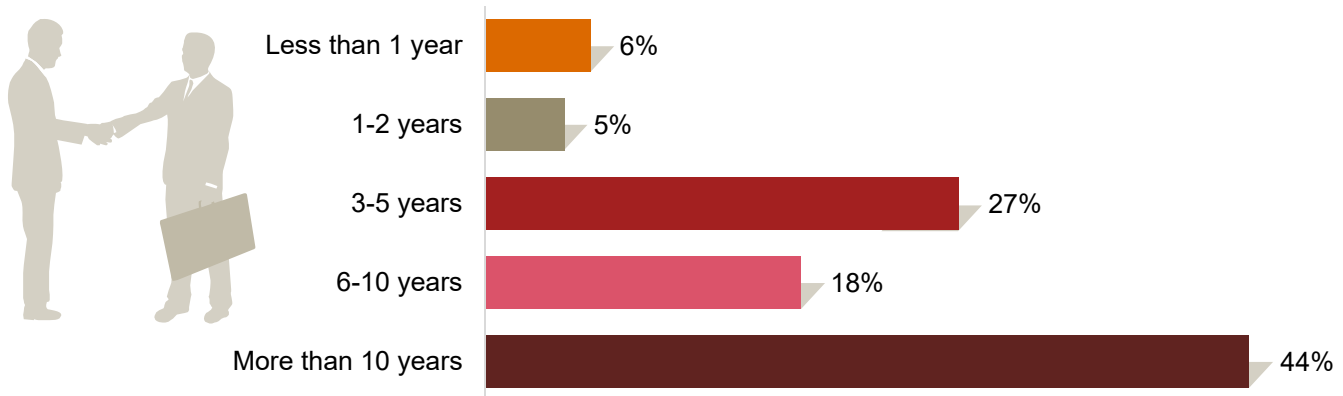


## Recruiting a diverse workforce (differently abled)

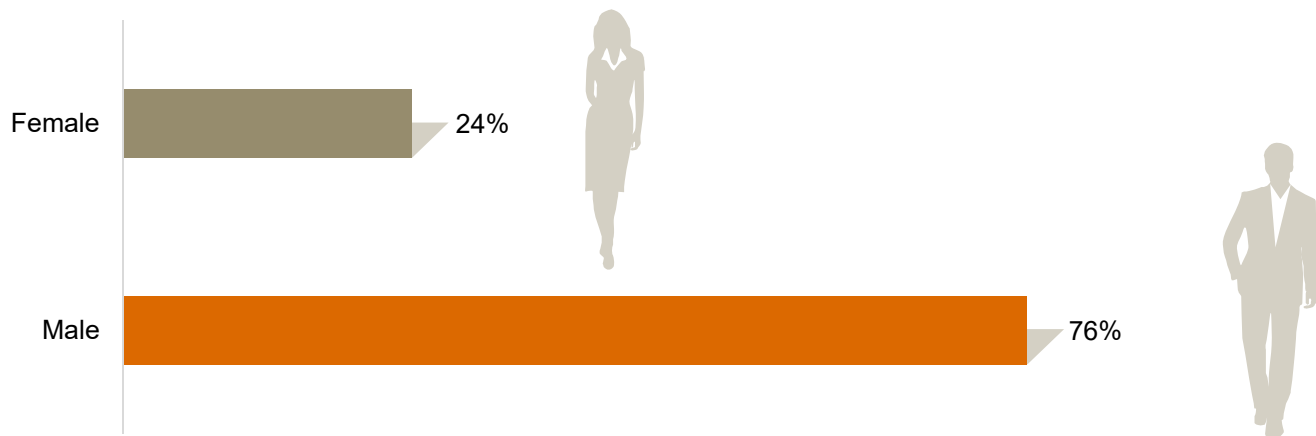


# Respondent demographics

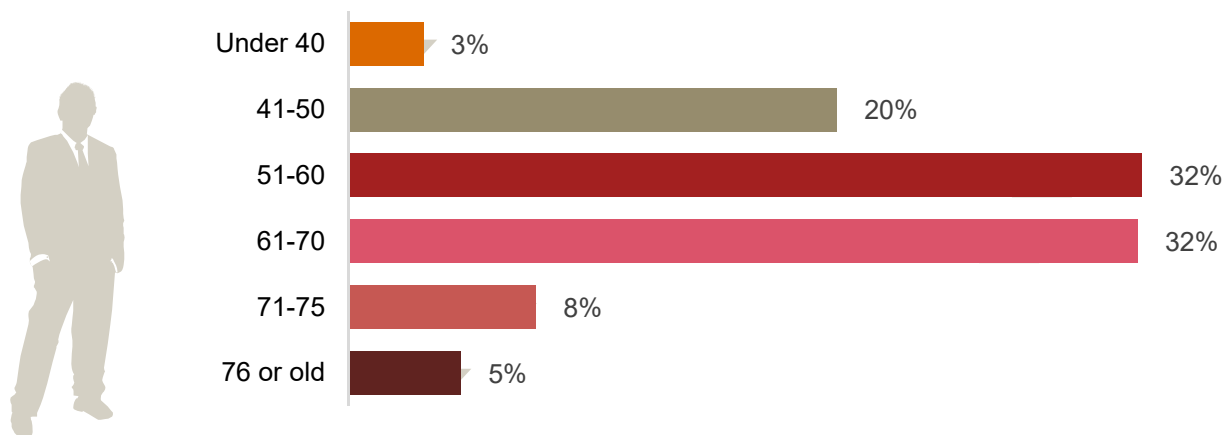
## How long have you served on this board?



## You are:

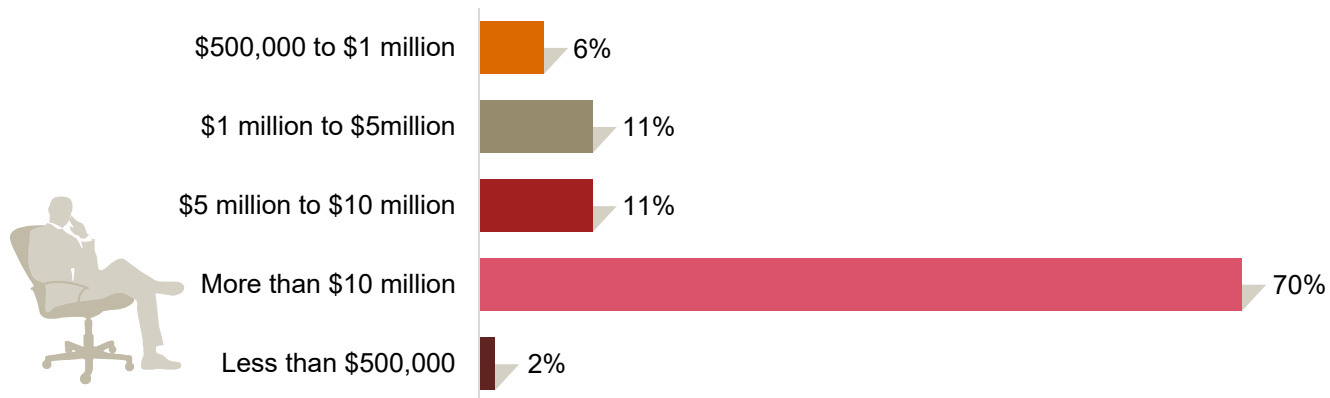


## Your age is:

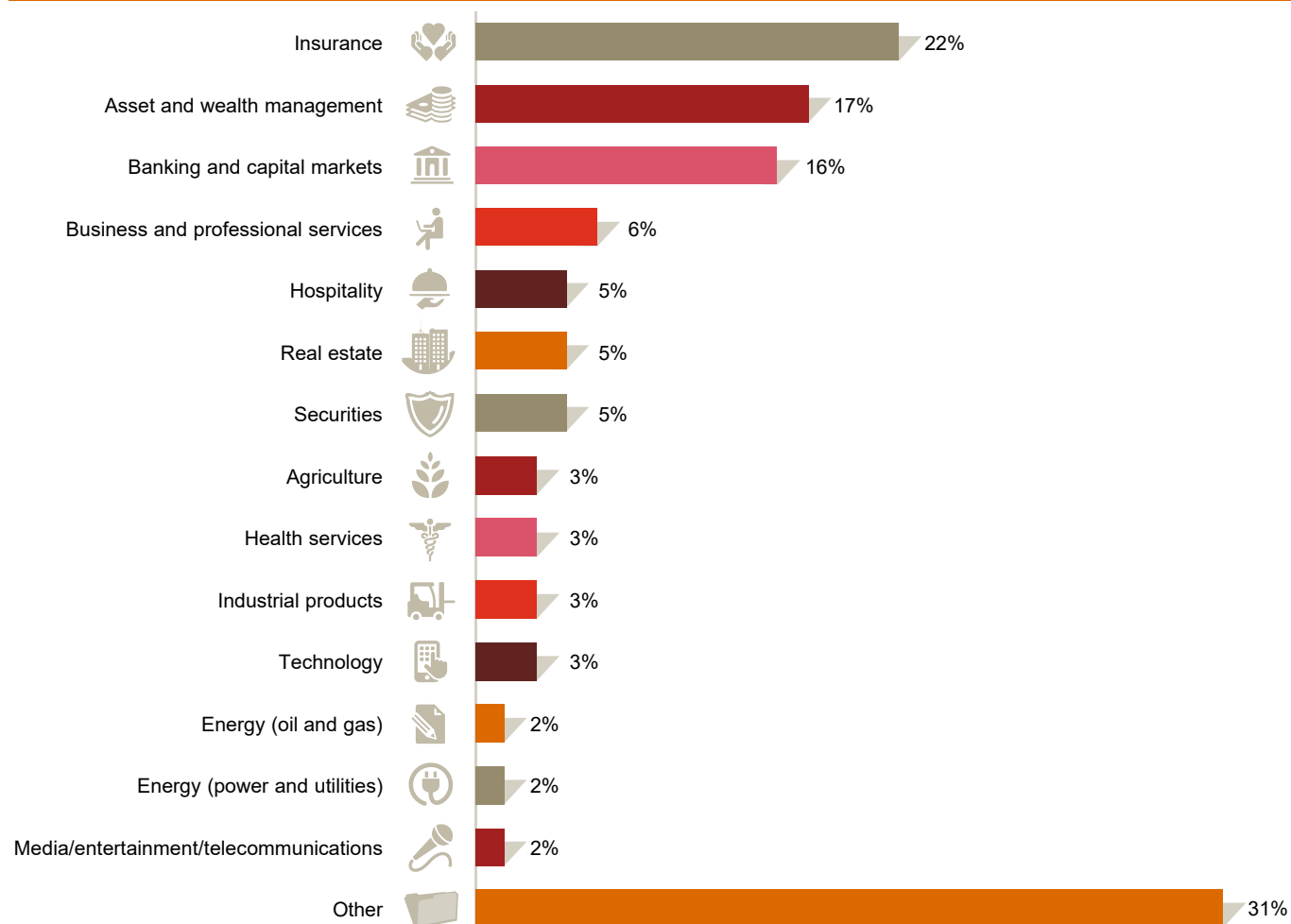


## Respondent demographics

### What are the annual revenues of the company on whose board you sit?

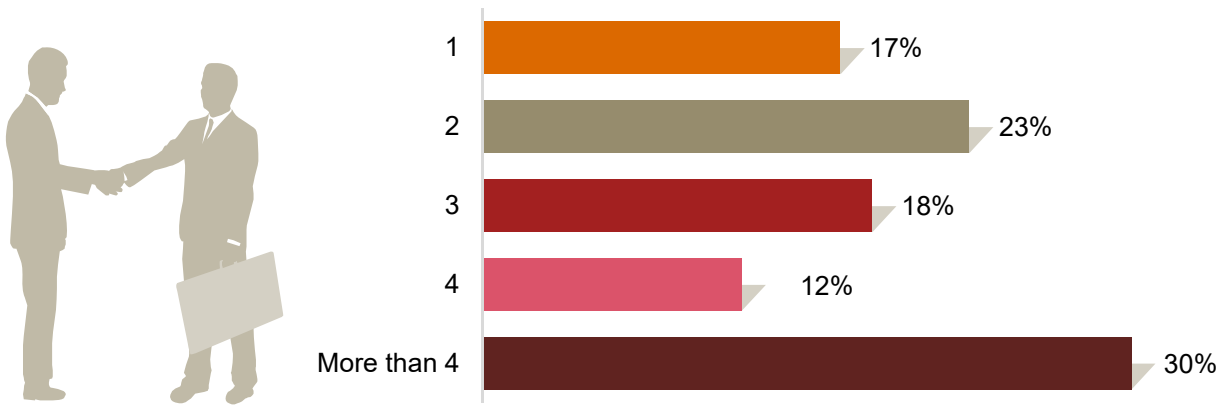


### Which of the following best describes the industry of the company on whose board you sit?

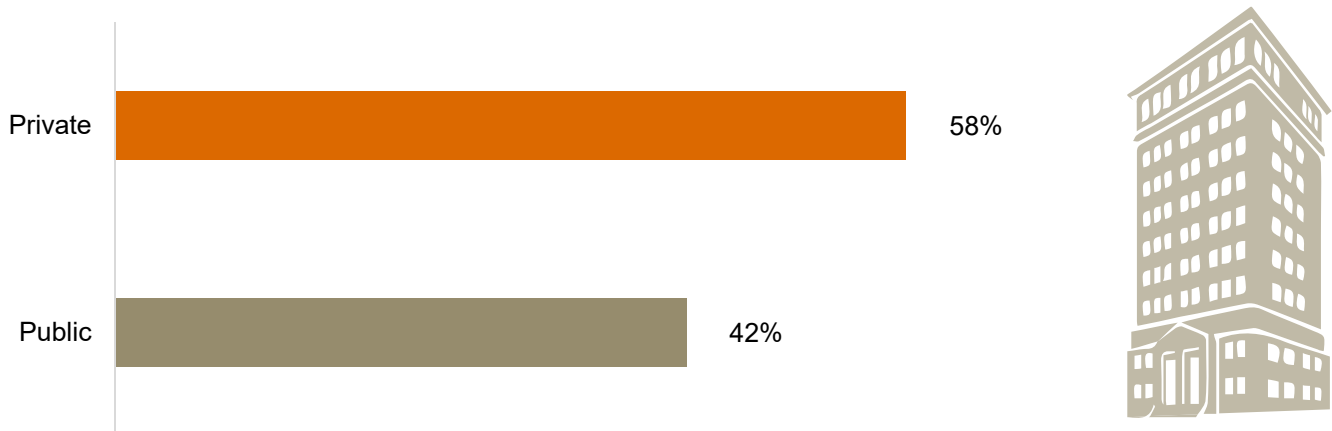


## Respondent demographics

### How many company boards do you currently serve on?



### Is the Company in respect of which you are responding to this survey





# How PwC can help

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To have a deeper discussion about how this topic might impact your company, please contact your engagement leader, or a member of our PwC Barbados Corporate Services practice listed below:

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