

C-SUITE

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A hand is shown in the foreground, dropping a small, light-colored seed into dark, rich soil. In the background, several young green plants are growing out of the soil, set against a bright, sunlit green background. The overall scene is one of growth and preparation.

Preparing for the New Era of Governance

Addressing the hot-button issues for 2022 and beyond

The evolution of the CHRO role
Tracking CFO pay trends post-pandemic
Critical governance issues to consider in 2022

Interview with Peter Gleason, CEO,
National Association of Corporate
Directors (NACD)

 **EQUILAR**

Paving a Path for Director Education

**An interview with Peter Gleason,
CEO of the National Association
of Corporate Directors**



Peter Gleason has been the CEO of the National Association of Corporate Directors (NACD) since 2017. He has served in a variety of roles during his tenure at NACD, including President, CFO, COO, Managing Director and VP of Research and Development. Mr. Gleason is a recognized expert on board leadership and corporate governance.

He serves as a member of NACD's national faculty, is regularly quoted in the media, and is a frequent presenter on the subjects of corporate governance, executive and director compensation, risk, strategic planning and board/shareowner relations. Mr. Gleason has served as a commissioner on every NACD Blue Ribbon Commission report since joining NACD in 2000 and is an NACD Board Leadership Fellow.

Mr. Gleason is a graduate of Dartmouth College and has an MBA, with concentrations in both Finance and Marketing, from Virginia Tech.



The role and responsibilities of corporate board directors continue to evolve each year. As the top issues in corporate governance pose several challenges to companies, boards must remain educated and diligent in their approach to confronting those respective challenges. Thus, boards must gain the trust of their companies' shareholders and display a profound commitment to excellence.

C-Suite sat down with Peter Gleason, President and CEO of the National Association of Corporate Directors (NACD). Mr. Gleason shared the inspiration behind the NACD Directorship Certification and his vision for it to serve as a declaration to peers and stakeholders that those who are certified are capable leaders in today's boardroom. He also shared his thoughts on NACD's new partnership with Equilar and what it could mean for the certification program going forward.

***C-Suite:* To start things off, let's talk about the NACD Directorship Certification. What was the inspiration behind the certification? How does the certification set directors apart from other, highly talented directors?**

Peter Gleason: The certification program—and the inspiration behind it—is longstanding. Seventeen years ago, I proposed certification to the NACD board. At the time, the board said, “No,” pretty forcefully. They felt that the marketplace wasn't ready for it. In hindsight, they were probably right. I was probably ahead of the times, but it has been something that I have been thinking about and working on for a long time.

When I became CEO of NACD about six years ago, I brought it to the board again. I thought the time had arrived. The call for greater age diversity—that is, to bring young Silicon Valley entrepreneurs into the community of directors—was intensifying. And although I was not opposed to the idea, I wanted to ensure that we were bringing in people who were prepared for this kind of governance responsibility. I wanted to be certain that they had that baseline knowledge for effective directorship. While experience as an executive or entrepreneur certainly brings important and constructive insights to the table, it does not automatically prepare someone to be an effective board member. I felt that if we were to rise to the call of age diversity, we needed to empower those with lesser—or even no—board experience with the knowledge and skill-enhancement opportunities that would strengthen their chances for success.

So, the first thing we needed to do was establish clarity: What does the job of a director encompass? To more fully answer that question, we decided to gather a group of directors together in a room to really dig in and discuss it. We brought together more than 2,000 directors over the course of a 24-month process, refining the definition of what directorship really is. By the end of that process, we pretty much had an outline of the curriculum. We just needed the testing mechanism—that is, how could we test against this definition of directorship that we had just refined, using the curriculum that had emerged from the process.

NACD had been offering director education for roughly 40 years. But governance had evolved, and now we needed a clearly defined baseline for the prerequisite knowledge that would be essential for the success of modern boards. Just think about the last several years: Anytime anything goes wrong, people start pointing fingers. Where was the board? Why didn't the board know this? We needed that baseline for qualification. And I think this is where certification sets directors apart—distinguishing those with the certification. What's more, it's a commitment to elevating board performance, and that is the critical component—not only a demonstrated mastery of the prerequisite baseline knowledge, but also a commitment to continuous improvement.

For directors to maintain (recertify their certification), they must complete 32 hours of continuing education credits every two years. That continuing education often centers on the engagement around critical issues that we think directors need to have. The other key element that we added was the executive education network, which includes Stanford, Wharton, Columbia and Drexel. We're speaking with another leading school now about their joining as well. We wanted certified directors to have the opportunity to attend a variety of educational functions that would expose them to different perspectives—all of which could help them stay current on world events and business and governance trends, enabling them to be better board directors. At the end of the day, our commitment is to elevating board performance. And we're going to partner with universities to make sure that this is an inclusive approach.

Equilar is proud of the new partnership with NACD. Could you describe how the inclusion of directors who have achieved the NACD Directorship Certification in the BoardEdge database will benefit the program?

Gleason: Our partnership with Equilar, and certainly with the Equilar Diversity Network, elicits a certain level of awareness. Different companies take different avenues to find diverse

directors. We wanted to highlight within the Equilar database those directors who have been certified, allowing them greater visibility.

One of the challenges to diversity on boards is the argument, "I can't find the talent." Now, Equilar has put together this great database in partnership with so many diverse organizations, and we work with all those diverse organizations as well. And so it made sense to partner with Equilar to highlight those directors who have achieved certification, who have demonstrated that commitment. Companies are looking for resources for finding directors. With this database, not only can they find diverse directors, but they also can find certified directors—and diverse certified directors—all in one place.

I think it's a great partnership, and again, *demonstrating* mastery is what distinguishes both the certification and the information that the Equilar database provides.

What do you envision the NACD Directorship Certification to symbolize in the next five years? What goals would you like to achieve with the program?

Gleason: The test went live virtually—that is online—in June 2020, right in the heat of the pandemic. Over the course of the first year and a half, we have enrolled more than 2,000 people in the certification program. More than 700 directors have completed it and are now certified, and another 1,300 are either taking the coursework or are preparing for or scheduling the exam.

In terms of goals, I would like to see certification become the de facto standard for joining a board within the next five years or so. Certification is not just for people who have never been on boards. In fact, we have a tremendous number of people who are certified who have been on boards for 10 or 15 years. Again, it is about the commitment to continuous improvement and to demonstrating mastery of the material.

“When the governance community started thinking more seriously about DEI, everyone was focused on the “D” and the “E,” but there wasn't a lot of talk about the “I.”



We want to prepare directors to hit the ground running as soon as they join a board—and with the NACD Directorship Certification program, they can do that independently. To me, the critical thing is to establish that standard within governance—and for institutional investors and management to adopt it. Furthermore, we need to provide avenues for increasing diversity within organizations. And we need companies to begin to recognize that when their own executives more fully understand the responsibilities of their board members, it helps company performance. What's more, certification for company executives opens up the aperture in terms of available talent for boards. I sincerely believe that it should be the de facto standard for boards—everyone should become certified as we move forward.

You mentioned the notion of increasing diversity. How do you think companies will approach the issue in 2022, particularly considering pressure from stakeholders such as Nasdaq, investors and legislators?

Gleason: There are many ways to overcome barriers to diversity. People often argue that the turnover rate on boards is too slow or that we just do not have people moving off them. Well, you can accelerate that. You can simply have more forceful evaluations—that is, find people who are *not* performing at the level expected or needed. You also can increase the size of the board. There are myriad ways to increase board diversity, we just need to spur action.

But we have seen legislative efforts over the last couple years, from regulatory action to Nasdaq and the SEC allowing the Nasdaq rule to go through. I honestly think that this partnership with Equilar is so powerful precisely because you have addressed the age-old argument—“We can't find diverse talent”—and you have garnered where that talent resides.

Now, the onus is on the companies to select the talent they need. They also should start thinking differently about how they recruit. When I consider the critical issues that boards face today, talent is at the very top of the list, especially as we look at this Great Resignation. It may not be true that talent is leaving the boardrooms, but boards must start to look at talent within the organizations and ask, “How do we plan an effective talent strategy that incorporates appropriate succession planning *throughout* the organization?” Diversity is critical to that.

In particular, boards need to look for specific skill sets such as finance, strategy, executive experience and a certain level of acumen about the role of the director versus the role of management. Again, NACD created certification to enable directors to demonstrate these skills with an established knowledge base—regardless of the individual's race, gender or ethnicity. NACD Directorship Certification clearly and uniformly establishes that the individual has an understanding of the job to be done and that they have demonstrated that understanding. The Equilar database empowers boards to find and seek out that available talent.

Let's talk a bit about the NACD Center for Inclusive Governance. What are the goals for the Center in relation to DEI initiatives? In what ways will the partnership with Equilar advance these efforts?

Gleason: In the wake of George Floyd's murder, we saw efforts among corporate boards to identify diverse talent and to get those individuals into the boardroom. Our mission at NACD is to fully educate these individuals

on governance and directorship, so they are prepared to hit the ground running. When the governance community started thinking more seriously about DEI, everyone was focused on the “D” and the “E,” but there wasn't a lot of talk about the “I.”

NACD believes that success requires all three. But the “I” in DEI was getting overlooked, so we created the Center for Inclusive Governance. It's one thing to get diverse representation in whatever shape or form that might be on boards, but it is another to ensure those voices are heard.

The idea was to bring together all vital diversity groups and leadership. We wanted to assemble people with proven experience in bringing diversity to boards and mine their experience and expertise in order to identify success factors. And we did, plus we decided to create the Center for Inclusive Governance outside NACD's firewall, so it's open to the public. We did this because we believe it's *that* important. Diversity is not enough. It's the inclusion component that will enable us to succeed because those voices must be heard. That is the whole purpose and the very point of DEI.

The Center brings this thought leadership together. And through this entity, we will continue to advance the principles of DEI in governance, and, thereby, help improve board performance.

This issue of C-Suite is centered on the top governance issues of 2022. You talked a bit about the Great Resignation and talent strategy, but are there any other topics that executives and boards should be looking at that they may not be thinking of at the moment?

Gleason: One of the things I worry about most is the talent strategy of the organization. There are ripple effects to every human resources issue. For example, consider the containerships that are off the coast of California that can't get into the ports. Even if they get into the ports, we don't have the truck drivers needed to get the supplies to their destination.

How is it going to impact supply chains? What happens when we can't get the materials needed to make the products that we are expected to deliver? How does all of that impact strategy and the company's internal goals? When we don't have people who were there six months ago, how do we deliver on our established goals? And how does that impact company earnings?



Project this further, and I think we have a real talent problem ahead of us. I think that the ripple effects are going to have an even greater impact than a lot of us realize. The other piece I worry about is the day-to-day stress of operating in this environment. Burnout is leading to the Great Resignation, and the stress on the employees still in their seats is tremendous. Their coworkers have left, and now they have even more work. I am concerned that boards are not taking this fully into account. They are thinking, "My company delivered last quarter, they hit their numbers." Things may be going well, they're overcoming this pandemic and they're pushing through. But as the pandemic drags on, that stress and burnout will take an even bigger toll than many think.

I expect that we are going to see it happening even more.

Many frontline workers in this Great Resignation are really pushing hard around issues of compensation, equity and fairness.

Now, add to all that stress the push for increased levels of performance. It is a constant struggle. And there are other perennial issues that are getting worse, such as cyberthreats. We're seeing more and more cyberattacks, with greater frequency and with new methodologies. Companies are fighting an unknown entity in the cyber world. It could be a nation-state, a hacker or a kid in his basement with ransomware. Unquestionably, the prevalence of attacks has increased dramatically over the last couple of years, throughout the pandemic.

But while I believe there are some perennial issues that will likely carry forward into 2022, this talent issue, given the Great Resignation and the ongoing pandemic, is going to be front and center. It is something that we all need to be very concerned about as we move ahead into 2022 and 2023.

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Is there anything else that you'd like to leave us with?

Gleason: It is great to partner with Equilar. I have known David Chun since he founded the company, and we have been constantly exploring what we can do together to really move the ball. I believe that this partnership will really make a difference to boards' abilities to identify and recruit diverse talent. And I am certain that we will continue to look for other opportunities to work together.

I know our members and certified directors will be excited about this partnership—as they get greater exposure to, awareness of and access to the growing pool of diverse, certified board talent. **CS**