

CG NEWS UPDATE

NACD CHAPTER LEADERS DISCUSS TOP ISSUES SHAPING PROGRAMMING

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Kimberly Simpson

At conference tables in more than 20 cities across the country, the volunteer leaders of NACD's chapters have been sitting together to discuss the topics of greatest import in today's boardrooms. Out of those conversations will spring more than 300 NACD chapter programs in the 2019-2020 program season, during which NACD members and guests will hear from high-level peers and experts in panel discussions, keynote presentations, roundtable discussions, and the like.

I recently asked five NACD chapter leaders for a sneak peek of the top issues facing directors now and in the coming quarters, according to their local discussions. These themes will be reflected in the new program season, and are discussed below.

1. Innovation and change.

How do you reinvent the wheel? This is a question on the mind of NACD New England chapter program committee Chair Ellen Richstone, who is currently a director of Superior Industries International, one of the largest

aluminum alloy wheel manufacturers. She also serves on the boards of eMagin Corp. and Orion Energy Systems, and has served on corporate boards across eight different industries since 2003.

"Directors need to focus on innovation," she said. "Regardless of industry, the world is changing, accelerated by technology, geopolitical factors, and economics." Richstone gives an example from automotive supply, which is not thought of as a high-tech environment. "Just think of a wheel," she said. "Many years ago, the wheel was a standard product. Now, we must be concerned with material sciences and design. Consumers are looking for choice, and the company must think about making these products stronger and lighter to increase fuel efficiency and reduce environmental impacts, while reducing costs overall. We also have to ask if we have the right talent capital to get the job done, and whether we have the right culture to attract and keep the right talent."

Richstone looks forward to an upcoming chapter program showcasing New England-based companies whose products are changing the world, to be held in October, along with a variety of programs that will touch on the area of innovation and change.

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2. Sustainability and purpose.

Anna Catalano, co-chair of the program committee at NACD Texas TriCities chapter, agreed that innovation and disruption should be at the top of each director's list. That said, a closely related topic that should also capture the attention of directors is the evolving importance of sustainability and purpose.

"There is a growing sentiment that business takes from people," stressed Catalano. One of the companies she serves, Kraton Corp., has been proactive rather than reactive. "We have changed the name of the nominating and governance committee to the nominating, governance, and sustainability committee. We are discussing what we stand for, and how we are going to market," she shared. Kraton, a publicly traded chemical company, has also published a sustainability report, a step forward for the industry. NACD Texas TriCities will offer programs on this and other leading topics in Houston, Austin, and San Antonio this season.

3. The global economy.

The thread of the global economy weaves through the various issues facing directors, so much so that no company can ignore it, according to Elizabeth Camp, program co-chair for the NACD Atlanta chapter.

"I sit on the boards of Genuine Parts Co., a global public company, and Synovus [Financial Corp.], a public regional bank with community banking roots. The former has a nimble supply chain, but must manage price risk. The latter has exposure to global companies and must manage the business accordingly." So, she added, "The community is now the world. No matter the industry, you have to consider the global slowdown and tariffs." Rooted in factors ranging from the global economy, to forces of disruption and change, NACD Atlanta's program year will have the theme of "the future of boards" and kicks off in September with a program featuring Benjamin Pring, director of the Center for the Future of Work at Cognizant and recognized expert on leading-edge technology and its intersection with business and society.

4. Macro-level risk management.

Tom Leppert, the former CEO of large companies in five different industries and former mayor of the city of Dallas, is the program co-chair for the NACD North Texas chapter. He wraps many of these topics together under the notion of macro-level risk management.

"We are good at micro risk analysis," he said, "but we are less skilled in managing existential and macro risks."

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We aren't used to dealing with them because they often had a low probability of happening, although the impact when occurring is enormous. And that probability is increasing." Leppert currently chairs the boards of building company Austin Industries and dynamic glass manufacturer View. "I spend more than 50 percent of my time on these types of discussions. The board as a whole spends less than that, but still a significant percentage of time looking at macro risks."

According to Leppert, the board's role is to ensure that there is a process in place to address these forms of risk and that management has created relevant policies—with appropriate board oversight—to handle the risks. This encompasses reputational risk, both for the company and for the individual director. "I bring a public sensitivity to my work, having been a mayor and having worked at the White House," he said. "But every one of us, whether in management or on the board, is a news article away from being a public figure." Leppert expects that macro-risk management will be explored in several of the upcoming NACD North Texas programs, held in both in Dallas and Ft. Worth.

5. Defending capitalism.

NACD Pacific Southwest chapter President Larry Taylor is focused on risk management of another kind: the role of corporate directors in our capitalist society. "We should be asking whether directors have a responsibility to protect the long-term viability of the corporations on whose boards they serve as directors," he opined. "We must face the need to protect the capitalist system in which their corporate entities exist, operate, and earn profits because capitalism and the private sector are under fierce attack."

According to Taylor, educating employees—particularly younger employees—about the role of the corporation in society can help them to be better informed in their own "employee activism," making them able to defend capitalism externally as company ambassadors. Taylor believes that societal risk belongs in the risk management process, and he specifically believes that the risk to capitalism should be on the board agenda. Taylor will lead a panel on this topic at the NACD Pacific Southwest/USC Marshall Corporate Directors Symposium on November 14. The chapter will offer programs in Los Angeles, Phoenix, La

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