

Educational Updates for the Board

By Mark Richards

After 15 years of governance experience, I'm still surprised at the lack of awareness many board members have around the importance of continuous education. Maybe I shouldn't be so astonished. Being recruited to a board of director role is prestigious and implies you bring valued insight, trust and gravitas to a room filled with other highly successful people. Any need for board education could seem completely unnecessary.

However, a board of director assignment is not like joining a club. It is a professional role with clearly defined attributes and outcomes that determine performance. Directors should aspire to perform at the top of their game. Most professions require accreditation, certification and licensing to stay in practice. Why should board director service be any different? Board members are accountable and liable for their decisions, so it is reasonable to assume boards pursuing an ongoing educational program will have an edge. Board education sends a message to stakeholders that the board takes its duty and obligations seriously.

Board members are generally recognized for a particular expertise. They know more about some issues than other issues. The collective board of directors' perspectives and collaboration ability create an environment for informed decision-making, so the more robust the individual board member, the more effective the board will be. Board training builds camaraderie because it level-sets the board of directors by bringing them current together on a particular topic. Ongoing board training builds teamwork by putting the organization first. It reduces political agendas because team training sessions promote trust, candor and straight talk on challenging issues. Ongoing board training increases board member engagement and satisfaction, which improves overall board performance. An investment in ongoing board education makes good boards great.

Recently recruited first-time directors bring needed skills to the board. They are commencing in a new role and need to increase their board room effectiveness and credibility by putting in the time and effort to learn more about board governance matters. It is the first step toward gaining respect in the board room. It shows you value the organization, recognize your role's significance and

respect being chosen.

Board credentialing is a force multiplier with first-time board members. Board certification is more suitable for first-time directors because it is comprehensive programming instead of a single-topic course or webinar. It requires participants to learn essential governance concepts and demonstrate proficiency by passing an evaluation. As a newly minted board chair, I needed to strengthen my governance skillset and enrolled in a nationally recognized credentialing program. It gave me greater confidence to participate more robustly and intelligently in board room discussions. It strengthened my ability to impact the quality of the debate and drive better board meeting outcomes.

Information technology tops the list for the first time in the JWC Partners 2021 Corporate Board Survey among the most underrepresented skills in today's boardroom. ESG and understanding the perspective of Millennial/Gen Z employees are both new to the list and in the top five of underrepresented skills. According to the 2020 U.S. Spencer Stuart Board Index Report, the average age of independent board members of S&P 500 index companies is 63, approximately one year older than a decade ago. According to the same survey, 83% of all board directors in S&P 500 companies are age 60 and older. This statistic probably reasonably represents privately owned businesses too.

The point here is that the top underrepresented skills in the boardroom today weren't there last year. They probably aren't in the wheelhouse of most board members because they were even less likely to be topics of importance when many of these directors were in operating roles. The future needs of businesses change, and ongoing board education will efficiently and effectively help close this gap. High-performing boards expect unexpected events, particularly in these post-COVID days. Whether it is natural disasters, changes to regulations and compliance, or social and demographic cohort changes, there are always new things to learn. The quality of the board is a significant factor in the long-term success of the business and board education is a critical component in keeping the board of directors at its zenith. Training keeps the directors current and demonstrates they act on an informed basis using the most recent information available. Ongoing board education is integral to the board fulfilling its duty of care role.

When implementing a board education program, group and individual training are both appropriate. Group training offers several added benefits including improvement of peer relationships and group dynamics. Learning together brings a broader perspective into the session and facilitates understanding how each

other processes.

However, group training can be more challenging to schedule. Scheduling a session in conjunction with board meeting activities can solve that problem. As board chair, I periodically hosted a board's role in strategic planning training sessions the night before the operating team presented the annual strategic plan. The board members appreciated the refresher, and the outside facilitator utilized vignettes from the strategic plan as real-world examples. Both the board members and presenters felt the quality of the strategic planning sessions dramatically increased using this approach.

Another group approach is to authorize and encourage board directors to attend third-party facilitated board education sessions. There are many accredited and reputable organizations, including NYSE, NASDAQ, NACD, PDA, etc. In addition, most universities with respected MBA programs and established executive education programs offer high-quality board education and credentialing programs. These third-party programs provide a great retreat environment for a subset of board members. They can participate in the training together and thus build teamwork through a shared experience. They benefit from listening to a larger group of professionals and formulate new ideas from this more diverse crowd. It builds confidence in board members when they can attend a third-party training session and hear directors from other companies share how they approach a common problem. Time should be allocated at the board meeting following a director's participation in a third-party training session to allow them to share key learnings.

Individual programs are plentiful, especially with the growth of online webinars since the pandemic. Viewing recorded webinars is convenient and can be done individually or as a group with facilitated discussion. Attendance at live webinars offers the added advantage of engaging in the session Q&A. Self-study works well with autodidacts and should be encouraged. A few of the professional board credentialing programs are almost entirely self-paced.

Board continuing education policies formalize the board's commitment to excellence and illustrate its commitment to staying abreast of board-relevant matters. The policy should state its general intentions and not be cumbersome. On occasion, a board may require a minimum amount of continuing education as a requirement for continuing board service. The policy should also define the acceptable scope and type of training — for example, programs run by accredited or reputable trade organizations and universities. The policy should specify that such activity will be a covered business expense and state the annual limit as a

"not to exceed" amount. Hence, directors are clear on the approved fiscal boundaries. The nominating/governance committee should annually review and refresh the policy and track individual board directors' continuing education participation.

The archetypal board director is at the top of their profession — well-educated and often recognized and respected as a community and business leader. When asked to serve, successful executives bring access to valued contacts and particular subject matter expertise. Still, director expertise has a shelf life, shortened when ongoing education is not integral to board service.

Durable and perishable are how skills are classified and this applies to director-level skills, too. Examples of durable skills include leadership, collaboration and communication. Durable skill levels may still decline, but their half-life tends to be twice that of a perishable skill, typically lasting two and one-half to five years. Therefore, perishable skills are the competencies board seeks out when recruiting a director (assuming the durable skills are at or above a reasonable threshold). Examples of perishable skills include any technology-based proficiency like health care, internet of things, artificial intelligence, telecommunications and cybersecurity. Other expertise historically considered staid yet still perishable like finance, accounting, marketing, strategy and logistics is more rapidly changing today due to regulatory pressures, shifting customer and social expectations and disruptive innovation. This cadence isn't going to slow.

If board chairs, and nominating and governance committees find they still can't convince certain board members on the importance of continuing education, then maybe it's time to refresh the board. Even the best and brightest recruits have perishable skills. When stakeholders see the board directors allocating time to improve continuously, it sends a positive message across the organization. The quality of board directors is probably the single most significant factor in determining the business's long-term success. Keeping the board of directors at the top of their game is essential.