

## COLORADO

## NACD Marks Its First Decade in Colorado

Colorado's experience—derived from its high-tech, high-risk heritage—has helped to further refine these protocols that have become key priorities for corporate boards even in today's most established industries. By Taylor Simonton

Ten years ago, the Washington, D.C.-based National Association of Corporate Directors (NACD) established its Colorado Chapter. At the time, new regulations and scandals threatened the very existence of many businesses, and directors on corporate boards back then were often preoccupied with complex compliance, governance, and executive pay challenges. Many directors and officers found themselves at a loss, cutting costs to the bone and clinging to what little public trust was left as corporate integrity and responsibility to shareholders was thrown into a maelstrom.

The traditional roles of directorship remained in place among this chaos, as boards were expected to apply clear, long-term vision to the corporation's strategic direction at a time when even the shortest-term snapshot was blurry at best. Most boards met only a few times a year, and many directors sat on multiple boards in addition to their already demanding day jobs. They had virtually no time to manage the problems that seemed to be spinning out of control after the dot-com bomb, 9/11, Enron, and other catastrophes that consumed the daily lives of beleaguered corporate officers, some of whom led the news.

Fortunately, things have settled down since then, and, thanks to the NACD, much of the American evolution of professional directorship over the last decade has taken place in boardrooms across the country and right here in Colorado. With Colorado's entrepreneurial heritage—there are 20 Fortune 1000 companies on the most recent list (*see sidebar*)—some of the nation's most successful enterprises began in this colorful state as small startup companies. As a statewide business community, we gained deep experience in the '80s and '90s by applying a microcosm of public company best practices to the private ventures whose backers rallied around the initial public offering as the exit strategy of choice.

As the backbone of the Rocky Mountain region's entrepreneurial economy, our homegrown officers, directors, and managers gained a vast body of knowledge and experience in the myriad aspects of business formation, financing, and execution. These companies were built and managed by determined professionals who not only had to find markets for their products and services, but, at the same time, make their companies appealing to every level of potential investor. With few established practices to follow,



Tim Enwall (left), NACD Colorado Chapter's first president a decade ago, and Mike Platt, a chapter co-founder.

they wrote the “how-to” manual as they went, making tough decisions, and taking calculated risks along the way. Most Colorado directors were technologists and specialists and thus less likely to be the generalists found on more traditional boards. Governance and compliance issues remained relevant, but often secondary in this era of entrepreneurial enlightenment and dedication to generating the highest rates of return for demanding, venture-class investors.

From this heritage, today's NACD Colorado Chapter traces its DNA to the Colorado Directors Guild, a local grassroots organization formed in the '90s as a networking and education exchange for the directors of Colorado companies—almost all of them private, venture-backed, and vying for a future IPO or acquisition.

“This original group represented the key leadership that was responsible for many of the now historic startups that produced many a successful exit, particularly in the now mature markets of software, data storage, and telecom,” says Michael Platt, partner with the Cooley law firm and co-founder of both the Colorado Directors Guild and the initial NACD Colorado Chapter. “Since the melding of the Colorado Directors Guild and NACD in 2004, Colorado's pioneering experience in establishing best practices has made an impact. The chapter puts up strong metrics in terms of event attendance, educational programs, and scholarship awards.”

PHOTOS COURTESY OF COLORADO CHAPTER

**Colorado Companies on the 2014 Fortune 1000**

Rank	Company
138	Arrow Electronics
204	DISH Network Corp.
230	DaVita HealthCare Partners
246	Liberty Interactive
321	Ball Corp.
327	Newmont Mining Corp.
413	Level 3 Communications
437	CH2M Hill Cos.
458	Western Union
580	Molson Coors Brewing Co.
607	Liberty Media Corp.
630	Envision Healthcare Holdings
686	EchoStar Corp.
696	Chipotle Mexican Grill
729	DCP Midstream Partners
739	QEP Resources
764	Whiting Petroleum Corp.
891	SM Energy Co.
971	Cimarex Energy Co.
991	Woodward

Source: Fortune magazine



Colorado chapter leadership: Bill Heck, chapter president (far left); Larry Jones, chair of the sponsor committee; Mary Beth Vitale, chairman; Mark Soane, vice president of programs; Taylor Simonton, author and chair of publicity committee

Fortune 500-level fiduciary responsibility, the segmentation of advisory roles, and the education and training applied to board leadership have trickled down into many of the management teams and boards of small-cap and mid-market Colorado companies. Conversely, the hands-on management expertise required by nimble, fast-growing, capital-hungry technology companies has trickled up to the nation’s largest publicly held corporations. Through the NACD, Colorado has helped share these new best practices within its community and among the 22 NACD chapters around the country, honing its members’ attention on three key areas that generally define board involvement today: strategic positioning, risk management, and executive oversight. Colorado’s experience—derived from its high-tech, high-risk heritage—has helped to further refine these protocols that have become key priorities for corporate boards even in today’s most established industries.

“The roles, the importance, and the skill sets of directorship have increased with legislation—Sarbanes Oxley, Dodd-Frank, and others—and the ability to think through the key areas of strategy, risk, and executive management have been fine-tuned as a result,” says NACD Colorado President Bill Heck, managing principal of the Harlon Group, a performance and compensation consultancy. “NACD’s mission is to educate and train the next generation of corporate directors, and to help CEOs become more effective by leveraging their boards.”

As were the venture capitalists, technologists, and

legal experts of Colorado’s private boards back in the ‘90s, today’s corporate directors are in much closer contact with each other, and help manage their companies to success on a much more regular basis than just attending a few quarterly meetings. The chairman of the board and the CEO are rarely the same person anymore. Executive compensation is tied more to investor success and less to peer group benchmarking. Audit committees are more independent, board terms are typically shorter, and directors have become responsive to investors as transparency rules the day. The strategic planning process has become dynamic and continuous.

“Board members’ roles have changed, and the time commitment has effectively doubled and even tripled from 10 years ago,” says NACD Colorado Chairman Mary Beth Vitale who has served as corporate officer or director with a number of companies including AT&T, US WEST, and Colorado Business Bank. “The requirements for board education have increased dramatically as well. If you’re not keeping up with the pace of change, you’re not doing your job as a director. Most of the training opportunities a decade ago related to accounting issues, but with so much more diverse risk to manage, the NACD Master Class and Director Professionalism have done a great job of rounding out our programs to cover a wide variety of skills and knowledge that its members are taking directly back to their boardrooms.”

Many of today’s NACD Colorado members held fast to the path forward during the hard times, serv-

ing on boards that adjusted to the new risk landscape. They developed a track record of success by figuring out where the guardrails were, aligning their risks, and managing within them.

“Directors are diving into a broader set of risks today,” says NACD Colorado Sponsor Chair Larry Jones, a well-known Colorado business leader who has served on 12 corporate boards, and is currently executive chairman with Coalfire Systems, an IT security and compliance company. “Ten years ago, enterprise risk management wasn’t even on the table, and IT security was never addressed at the board level—it was just something that the CIO dealt with. Now, risk mitigation is integral to strategy, and with the threat of cyber attacks, boards have put IT security on their agenda.”

Board responsibilities are becoming more granular, and as a result, board composition is starting to change not only in terms of diversity and ethnicity, but also in areas of expertise based on where the risks are coming from. Boards are considering people with IT skills, social media policy experience, and now healthcare expertise.

“Almost all companies are facing down new risks associated with employee healthcare costs,” says NACD Colorado Program Chair Mark Soane, managing principal at Appian Ventures. “In particular, companies involved with retail and lower-wage employees are dealing with significant changes. NACD Colorado is helping in the education process with an issue that has never really been addressed at the board level. This is about to change dramatically as many boards are going to be forced into making crucial decisions about where nearly 20 percent of their companies’ resources are about to be spent.”

Healthcare is just one more area of high-risk exposure that future boards must consider. This applies not only to “playing defense,” but also toward the greater disci-

pline of addressing problems and pitfalls well before they place future opportunities in jeopardy with customers, investors, lenders, other stakeholders, and potential suitors when they do their own diligence on the company. It is just one piece of the new world of the corporate director, defined over the last 10 years as understanding uncertainties to think logically about the future.

“The NACD provides another resource to cut through the uncertainties and reputation risks,” says Soane. “Companies that educate their boards and those that bring that expertise into their decision making will be ahead of the game.”

Every company is different, but most agree that the tone is set at the top, and boards around the country have adapted to the new role as keepers of the corporate culture along with C-suite executives. Whether it is governance and compliance issues, managing healthcare costs, staying one step ahead of globalization threats, or defending against international data hackers, directors are helping their companies establish the right culture throughout the ranks. The goal is to succeed in an ethical manner, and not just survive and follow procedures.

Effective corporate boards have proven to increase valuations and bottom lines for both public and private companies. As the landscape continues to evolve, NACD Colorado will build on the role we have played for the last decade and serve as the center for gravity for board leadership in the Rocky Mountain region. 

Taylor Simonton, CPA, is a director, past chairman, and past president of the Colorado Chapter of the NACD. He is an NACD Board Leadership Fellow and a retired PwC LLP National Office SEC Partner, who is serving, or has served, on the board of directors of seven Colorado companies, usually as audit committee chair.

# 2014 NACD Directorship 100 Gala

A time-honored tradition and pinnacle event for directors and the corporate governance community, the NACD Directorship 100 Awards honor the most influential boardroom leaders each year.

For table, sponsorship opportunities, and ticket sales, please contact Mary Farrell at 202-280-2194 or [mfarrell@nacdonline.org](mailto:mfarrell@nacdonline.org)

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