



# Raymond A. Mason School of Business

WILLIAM & MARY

LEADERSHIP & BUSINESS PODCAST

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## EPISODE 227 – DAN DRAPER – LEADING A COMPLEX ORGANIZATION

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### Dan Draper

For me, if you think of the importance of oil and energy on the 20th-century manufacturing economy, for the most part, then really, for me, data is the new oil of the digital world we live in.

### Female Voice

From William & Mary in Williamsburg, Virginia. This is Leadership & Business, produced by the William & Mary School of Business and its MBA program. Offered in four formats: the full-time, the part-time, the online, and the executive MBA. For more information, visit [wm.edu](http://wm.edu).

### Ken White

Welcome to Leadership & Business, the podcast that brings you the latest and best thinking from today's business leaders from across the world. Sharing strategies, information, and insight that help you become a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. The role of the CEO. In this particular case, it means leading a complex global organization, one with employees all over the world, interacting with a robust board and countless other stakeholders. For Dan Draper, the CEO of S&P Dow Jones Indices, the job means that and more. Earlier this month, Draper was the keynote speaker for From Dog Street to Wall Street. An annual event hosted by the Boehly Center for Excellence in Finance at William & Mary's School of Business. Afterward, he joined us to discuss the many aspects of the CEO's role, including stakeholder management, understanding the importance of data, and doing things the right way. Here's our conversation with Dan Draper, CEO of S&P Dow Jones Indices.

### Ken White

Well, Dan, welcome. It's great to see you. You and I haven't met until today, but welcome back to your alma mater. Great to have you here.

### Dan Draper

Thank you. Pleasure to be here. Nice to meet you.

Ken White

And last night, you gave a keynote address. What did you talk about?

Dan Draper

I had great lead-ins from the two student speakers. Charlie and Amy were fantastic. They prepared well, put a lot of effort in. So it was easy for me talking about myself, talking about career and the journey. But it was a really great evening. I think the attendance was fantastic and a lot of great engagement. Good questions from the students.

Ken White

Yeah. Any question that sticks out or surprised you?

Dan Draper

I think it's interesting that it was a finance-focused evening. I think the specificity, career development, looking at new trends in the finance industry. But I did like one of the questions toward the end that asked about this intersection of where business is moving, but the impact on broader society. I took it in the direction of ethics. I love it because that's what I think William & Mary does so well is the practicality of business, but also with the liberal arts, I think, background and foundation, where we are thinking about success and companies, for-profit companies need to make profits, but it's also thinking about bigger impact on society. I think it's that big thinking, and the students who come to William & Mary who excel at that. I enjoyed that question.

Ken White

That's great. As our former dean, Larry Pulley, says, Leading a life of principled achievement. We have just embraced that, plus the honor code and so forth. That's great. I'm glad it was interesting and fun for you. Let's talk about S&P Dow Jones indices. Tell us about the organization.

Dan Draper

We're the world's largest provider of financial and capital markets, benchmarks, and indices. We're most famous, the S&P 500, as well as the Dow Jones Industrial Average. That's been around for over 120 years, for example. Long history, but incredibly relevant. That business, for example, we don't manage money directly. We're not a fiduciary, but our benchmarks are used to measure investment performance and risk, but also increasingly used in investment products. If you think about in the most popular are exchange-traded funds, ETFs, index mutual funds that contain the S&P 500. Our business model, as let's say you have a BlackRock ETF or a Vanguard, they will be licensing our, say, S&P 500. We literally get a percentage of their annual management fee. That's our

revenue model. Globally, our impact, over \$22 trillion, are either benchmarked or in some form invested around our indices like the S&P 500. It's a big impact.

Ken White

As you mentioned, one of the questions last night were the trends in finance. What comes to mind when you hear that?

Dan Draper

You're saying the globalization trend has been in place for decades, but capital is efficient. What we're starting to see that companies that need to access capital from debt or IPOs or equity, but then the investor side. Now we've seen globally investors. We've been diversifying portfolios globally for a long time, solving wealth funds, asset managers, wealth managers around the world, instruments like exchange-traded funds are now global. People can build diverse portfolios. But what's really happened now, as we've seen in the last decade, is the concentration of capital. Huge growth companies could be based Malaysia, the United Kingdom, increasingly are listing in the United States. The price discovery, the higher valuations they get here, minor issues, executive compensation tends to be very high in the US. That's come a big draw. So now we're seeing that leading initial public offerings, IPOs, are coming to New York Stock Exchange, Nasdaq. We're also seeing for our business, the derivative markets where people can hedge risk and and speculate as those kind of coexist. You're seeing capital and liquidity and price formation coming to the US increasingly. The strong dollar we've seen in recent years has helped that trend. I think you'll see some mean reversion back, but you're seeing a global nature, global companies, and when there's growth and innovation, but you are seeing a lot of the advantages of the US capital markets, like I said, with companies either listing their companies here or just raising capital. Then also, the very active secondary markets providing, again, this price discovery and liquidity. It's interesting. For example, what we've seen, we have an S&P World Index, which covers all the global equities, both developed and emerging. The US large-cap equities were just under 50% of that weighting a decade ago, like the S&P 500. Today, it's over 60%. It's interesting. The model that we have of a single currency and single regulations, but also, like I said, an active corporate governance. All of these things lead to a fairly stable environment. But like I said, capital is here, and it's a big advantage that the US has maintained through it on a global basis. That's where, with our core, starting with an S&P 500, we're able to then build a global franchise from a US-first perspective.

Ken White

What does that mean for professionals in the industry? You're going to probably work abroad. Is that possible?

## Dan Draper

I think it is possible. Certainly, my career, after William & Mary, I worked three years in the US. I was at the old Solomon Brothers in New York, which was a phenomenal experience. I had a chance in the mid-1990s to go to Asia. I'd never been there in my life. That was tremendous. A couple of years in Hong Kong, and I lived for a year in Jakarta, Indonesia. But those were phenomenal times. This was when, if you recall, in the '80s, Japan had really had a huge economic surge, a bubble in many ways that ended up bursting. But then capital is efficient. People saw growth and opportunity, especially huge infrastructure needs in Southeast Asia. There's a big pivot in the early '90s from Japan into, if you will, Southeast Asia. That was also, particularly China. It was the early days in '79 when they started to really allow more private sector engagement. It was pretty much closed by being able to do that. That then fed, I think, a lot of the demand through, again, Southeast Asia and those tigers, if you will, at the time we were growing. That was a tremendous opportunity for me. Then, with a global background, I had a chance to then go to London, where I lived for about 14 years. It wasn't something planned, but finance as an industry is global. As I mentioned, capital, it's efficient and it will find its way across borders. I think today's companies, the multinational companies, the largest in the world, they're going to move where there's the capital, the talent, anywhere is in the world. I'd say no matter where you're from in the background, but at William & Mary, to the extent you can leverage incredible global networks here at the university, it's going to prepare you well for a career, certainly in business.

## Ken White

Can you imagine your career having not lived abroad?

## Dan Draper

No, I can't. Again, I grew up in a very small town. We were talking about earlier from Southwest Virginia, about 700 people. I had very limited global background before William & Mary, but the Reves Center, and for me, just embracing study abroad. A lot of those opportunities it was inching my way and getting a flavor. Then, once I was in the business world, that was frankly a big motivator for me. I enjoyed building my career, but I really enjoyed the global nature of it, and I still do today. From my current job, I have teams, people in 21 different countries.

## Ken White

Wow. It's interesting. When I first moved into higher education years ago, there was one student in one of my classes that had gone abroad for the summer, and the whole class just couldn't believe it. No one had been abroad. You walk into a graduate classroom today, virtually everyone's been abroad, and many of them speak multiple languages. It is amazing how global it has become.

Dan Draper

It is. And it's also now with, obviously, digital technology, social media, is to have a good idea. I mean, it's an amazing personal experience and the humanity of meeting other people in another country and things like you can't. But to at least have an idea of going online, learning a bit of background, and even mapping out the neighborhoods. You know it's a big advantage. I mean, I was plopped my study abroad, my junior year at William & Mary. It was just a shock to the system, sink or swim, but obviously, I loved it, and I ended up swimming, thankfully.

Ken White

Yeah, well, no alternative, right?

Dan Draper

That's right. Absolutely.

Ken White

That's the way to go. I should have asked you early on your role as CEO. What is it that you do?

Dan Draper

Yeah, obviously, I'm responsible for the business. My board holds me accountable. I have two primary shareholders in the business: S&P Global, a Fortune 80 company, and the Chicago Mercantile Exchange Group, CME Group. There, I have to make sure on behalf of the board and the shareholders that I'm delivering on the strategy we've put forward. A lot of focus is on growth. We have two primary growth opportunities. There's been a big movement of shift of active investing, active mutual funds in particular, into passive investing, particularly ETFs. That's been a major trend, low cost, passive investing, led by Vanguard, BlackRock, and others for really 20 years. We feed into that. That's people who are buying these passive ETFs on the S&P 500, for example. The other big trend that we're seeing is post-global financial crisis, where the banks provided, especially in their derivative businesses, a lot of over-the-counter trading swaps and definitely structured products. A lot of that has moved their higher regulations on the banks as well as higher capital requirements on their activities. That's led to movement of derivatives to exchange and centrally clear trading. My shareholder CME, the Chicago Board of Exchange, those big derivative houses have really benefited. Again, we're licensing our, again, S&P 500 for futures and options contracts. Again, the global demand for capital, whether it's a corporate treasurer or a hedge fund speculator, using the derivative markets to hedge, but also to take maybe speculative positions, the capital and the formation of that, the volumes have really grown for a lot of different reasons, and we're able to feed in. Then, the third part of our business is just we need to sell data. People who use, say, a BlackRock, who have an S&P 500 ETF, they need the data to manage the fund as well as

or a derivative user or even governments or other places in society that one understands, say, equity markets, they will license an annual contract normally for our data. Those are the three big revenue streams we make.

### Ken White

We'll continue our discussion with Dan Draper in just a minute. Our podcast is brought to you by the William & Mary School of Business. The Financial Times, Bloomberg Business Week, Princeton Review, and US News & World Report have all named the William & Mary MBA program one of the best in the US and the world. If you're thinking about pursuing an MBA, consider one that has world-class faculty, unparalleled student support, and a brand that's highly respected, the William & Mary MBA. Reach out to our admissions team to learn which of our four MBA programs best fits you: the full-time, the part-time, the online, and the executive MBA. Check out the MBA program at William & Mary at [wm.edu](http://wm.edu). Now, back to our conversation with Dan Draper, CEO of S&P Dow Jones Indices.

### Ken White

I was talking to an alumnus just yesterday who said how important data has become because a generation ago, it just wasn't all that important, and now it's everything.

### Dan Draper

I made a comment last night. For me, if you think of the importance of oil and energy on the 20th century manufacturing economy, for the most part, then really for me, data is the new oil of the digital world we live in.

### Ken White

Yeah, no doubt. You mentioned board relations. A lot of new leaders, that's a first for them, interacting with the board. What advice do you have for someone who's new in a role where, Now, suddenly, I'm interacting with the board, and this is critically important?

### Dan Draper

Yes. Getting back, I think stakeholder management, I mentioned the board, but I think, you think employees, shareholders, regulators, in my case, something like that. But the board is primary. They're effectively my boss, and for most CEOs, it's the case. I think being able to be transparent, to be able to say there are no surprises, because you can imagine the board, many of them are former CEOs themselves or have had senior leadership positions in society. They're engaged, but their mandate as stewards, typically, they're looking over a longer horizon. If they're on the board for time, they're going to not only have me, but other CEOs that they've transitioned into the business and out and senior leadership, but they're taking a longer term view. But ultimately, they delegate this strategy formation to me, the CEO, and my team, but then they have to approve it, and

they have to own it. Because, again, they're going to be the ultimate body accountable directly to the shareholders. Also, from a risk perspective, they oversee the appointment of our external auditors, dividend policies. They have defined roles, but they are, again, the stewards that have, again, the advantage of a longer vantage and time horizon, generally. But also to ensure the oversight that they are empowering, coaching, mentoring me and my executive leadership team on how to better perform. Using their networks, for example, how can we think more strategically? I think there's always a balance because I'm also on an outside board myself, and it's this concept of NIFO, which is noses in, fingers out. It's a bit like accounting language. But that's where I think the really good boards, and I'm fortunate to have a very good one, is to know that stewardship board responsibility, but at the same time not to get too far into the details of actually running the business day to day and understanding that. But there are moments. But their job is not just to be friendly and always supportive. They need to push and prod and considering the roles or responsibilities that they have. For me, it's a balance. I think clearly, there was a technology outage with crowd strike. You may have been aware of as in the news, it affected a lot of companies. Something like that happens. I want my board to know immediately. We're on it, we're doing these steps, and they're going to have experiences from their careers and networks and, hey, have you thought of this or done that? But also they have a responsibility to the business. Or it could be a commercial opportunity, an acquisition opportunity or something that comes up. Yeah, we want to make sure that I'm communicating urgently with them. At the same time, areas like talent, hiring great senior leaders onto my team or thinking about new org design opportunities. We would have maybe an expansion in a new part of the world. That's where, again, You don't want to bombard the board with too much detail, but getting that cadence when you can really use them and leverage their expertise strategically. But also, I think, understanding what are their obligations under the company's charter or bylaws, helping them execute their duties. It's symbiotic. But I think over time, having that mutual respect and, again, leveraging, I think, what William & Mary does well is around communications. I think a CEO has to really communicate well. Really starting with your board, it's really important to be able to do that. It's essentially their collective body and the board; they're the stewards of the company, but it is also a collection of equals. You have chairs and chairs committees, and you respect those roles, but it isn't. Generally, the boards are overly hierarchical. You're making sure the chairman of the board and others are well-informed, but then also you know that you need to, if it's a board of 8 or 10 or 12 people, that you're keeping everyone up to date and ensuring there's a consensus view among them.

### Ken White

You mentioned in terms of the board, transparency and communication. In terms of employees, your team, when you think leadership, what are some of the things you try to embrace?



## Dan Draper

My business is about a thousand people, and we have people in 21 countries because it's quite global, so it's quite spread out. So communications, we have to obviously leverage technology, but also I have a chief of staff and also have a head of communications who are critical for me. You have a series of annual communication planning, normally four town halls a year. If I can move, do one in New York, where I'm based, or I'll move to London, try to move the locations of those four to different places where we have large groups of people have those. But then also whenever I travel, especially abroad, which is a couple of times a quarter normally, then I make sure not only around the town halls, but round tables. But I'm being able to engage with groups of employees to get more direct feedback. Then we also have, through talent management broadly, all the tools that you have, compensation, benefits, also promotions. Those are we do twice a year. Being able to think about rewarding and retaining your best talent. Also increasingly, internal mobility is really important. Being able to give people, especially early careers, broader experiences, not only geographically but functionally. You're able to then pair through that great leaders for. My leadership team is called my operating committee, being able to get those leaders and eventually someone to succeed me. That's a big part of my job is just building that talent from the ground up.

## Ken White

What advice do you have for an aspiring leader? What should they be thinking about and doing?

## Dan Draper

Look, mentorship is important. I think I found it far more palatable in my career to learn from others' mistakes than my own.

## Ken White

Good point.

## Dan Draper

But I've made plenty of my own mistakes, which can be painful, but you learn. But I think that's where having a network and finding others who've either gone through your experience if you're moving in initially to your first big leadership role or others who are currently doing the same. But I think finding that peer group, that trusting group, and especially even outside of your company, that can really help you. You can have an open discussion that I'm going through this. I have an issue with this particular individual on my talent team, or I can see the changes in demand for these product areas or geographies. How did you tackle? But being able to build that and then openly, I mean, that's, I'll be frank, the management consulting firms can be really helpful. Now, you have to manage them well, but the McKinzies, BCGs, I work with those two firms in particular, are



extremely incredibly knowledgeable, great networks. You have the investment banks, which also they want to I sell you something normally, a service or some advisory things. But again, these are great, really bright individuals and firms that can bring a lot from their networks to you. So I think other ways. But I think having your own personal network, but being to be able to use professional advice from whatever circle, it's important for you to be able to do that and to use it around your company strategy.

### Ken White

That's our conversation with Dan Draper, and that's it for this episode of Leadership & Business. Our podcast is brought to you by the William & Mary School of Business, home of the MBA program offered in four formats: the full-time, the part-time, the online, and the executive MBA. Check out the William & Mary MBA program at [wm.edu](http://wm.edu). Thanks to our guest, Dan Draper, and thanks to you for joining us. I'm Ken White, wishing you a safe, happy, and productive week ahead.

### Female Voice

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