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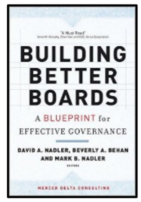

Private Directors Association™
Recommended Reading:

Building Better Boards: A Blueprint for Effective Governance
By David A. Nadler, Beverly Behan, and Mark Nadler

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PDA Newsletter January 2017
Who'd Ever Want to Be On My Board?

Upcoming Events

The Board's Role in Choosing between Private Equity or Strategic Buyer

January 25, 2017
Starts 5:30 PM

University Club of Chicago
76 East Monroe Street,
Chicago, IL 60603

Transitioning the Family Business to a Formal Board Structure

February 15, 2017
Starts 5:30 PM

Willis Towers Watson
71 South Wacker Drive
Chicago, IL 60606

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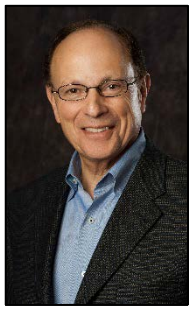

Contributing Editor: *Barry Cain is the Managing Principal of Amuleto Advisory LLC. He has served on private and public company boards for many years in addition to his roles as a practicing corporate attorney, business advisor and senior corporate executive. Amuleto Advisory works principally with closely-held and family businesses to create an environment of strong and sustainable performance and results while protecting and enhancing a cohesive family structure for future generations. The development and enhancement of corporate boards is a significant focus.*
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AMULETO ADVISORY LLC
Business Advisory & Corporate Board Services

In recently working as an advisor to a closely-held private company looking to redefine strategies for growth and execution, discussion necessarily turned to the company's Board—in this case an advisory board, but one more in name only. The company's CEO seemed to be proud of the fact that he had heeded past advice and formed an advisory board for his company. But to what end?

On the company's advisory board was the CEO himself, three key executives, the company's attorney and a friend of the CEO who heads a company that is a principal supplier. By then, the advisory board had met on four occasions, each several months apart. No formal schedule for future meetings had been set. No structure had been agreed upon. No roles, responsibilities, expectations were ever discussed. Minimal materials were distributed in advance of meetings held. Still, the CEO believed he had an advisory board because "we could get together to talk."

Again, to what end?

In this case, the phrase "Talk's Cheap" fits. There was limited investment in this advisory board. By compiling an advisory board comprised of company executives who may not have felt free to share their thoughts and criticisms in such a public forum, an attorney whose advice could be solicited at any time as part of his firm's representation of the company and a supplier interested in protecting his company's relationship, the CEO was coming close to wasting his and everyone else's time. He acknowledged that he enjoyed talking about some issues that he faced, but also allowed that meetings gravitated to being as much social as anything else.

Unfortunately, this is NOT an isolated situation. To have a board, whether advisory or statutory, requires on-going commitment and follow-through at the very least. A CEO should not try to launch a board if he, and through him, his company are not fully committed to doing all that is reasonably needed and advisable to make it productive and valuable for the long-term. To start, this requires a written charter that sets out the board's purpose, composition, governance guidelines, membership criteria, compensation and duties and responsibilities of the advisors or directors. It also requires the willingness to bring on individuals who can contribute needed expertise and insights to make discussions meaningful. Independent voices can be most valuable to challenge ideas and open thinking to new alternatives and directions.

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Who'd Ever Want to Be On My Board?

Not to be overlooked is that advisors and directors, especially outside independent members who stand to contribute significantly, will require evidence of such commitment and follow-through before agreeing to sign-on. They will want to know that their contributions will be heard and valued.

After all, individuals agreeing to join a board are also seeking value. Often this is less about compensation than it is about intangibles such as a desire to "give back," intellectual stimulation, professional development, personal growth and business development opportunities. Whatever the personal motivations, in return the CEO can and should expect a demonstrable level of commitment from board members to the board they are joining. If the right balance of interests can be achieved, there can be a "win-win" for all concerned. So, why do many CEO's hold back? Sometimes it's as simple as they aren't willing to openly share information and concerns and be open to advice and counsel from others. Still, even if they sign on to the idea of a board, why do they so often take seemingly half-hearted approaches to forming boards by surrounding themselves with insiders and related individuals, whether family or those doing business with the company?

Strange as it may seem, in such situations I often hear "who'd ever want to be on my board?" Sometimes the view is that the company isn't large enough or profitable enough to entice quality board members. Or, that the company just isn't ready in its life cycle quite yet to attract such outside talent. Or…. But, no matter the reasons put forth, rarely, if ever, is this statement true! There is usually a large pool of available individuals who are anxious to devote their time and skills to such boards. Among them may be retired CEOs or CFOs, current board members from other companies, senior executives seeking to broaden their business experiences, andeven family business advisors. What matters is that many potentially qualified individuals would want to serve, want to give back and are willing to commit to the responsibilities of service. The CEO just needs to find them.

How? Talk with the company's banker, accountant, and attorney as a start. They may be working with clients who have boards and may have observed some good candidates. Contact CEO forum groups or university-sponsored family business programs. Search out executive search firms who specialize in board recruitment and also explore online social networking sites like LinkedIn and BoardProspects.com. Also, consider contacting and even becoming a member of the Private Directors Association (**PrivateDirectorsAssociation.org)**, an excellent Chicago-based and regionally-expanding member organization providing a network to connect potential board members and private companies and helping create value by supporting excellent practices in board governance.

CEOs should not fall into the trap of thinking small. If they want a board and are truly committed to its success long-term, there are many qualified candidates to be found who will want to join with them and commit to helping them achieve their goals.

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