

Hop on Board: Integrating New Directors with a Continuous Onboarding Process

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“If you want to go fast, go alone; if you want to go far, go together.” – African proverb

Going “far” in a family business can have many specific meanings — from community building to wealth creation; from professional development to personal growth — and many family businesses inherently understand the power of proceeding together, rather than alone.

One particularly powerful way to add to the cohesion of a family business is through the active involvement of a business board (either fiduciary or advisory). To increase its effectiveness, the board should include independent members who provide objectivity and oversight — especially on sensitive family business subjects like compensation and family employment. A purposeful onboarding plan is essential for bringing new directors up to speed so they can focus on the well-being of the enterprise.

What is onboarding?

Purposeful onboarding is more than the traditional “meet and greet” that many organizations host when welcoming a new member. Wendy Sage-Hayward, Amy Schuman and I discuss in our book, *Human Resources in the Family Business: Maximizing the Power of Your People*, that the entrance of anyone new to an organization “should be considered more of a transition than a series of transactions. Thus, onboarding [is best thought of as] a longer-term process that integrates [new members] more seamlessly into

the organization through enhanced understanding of their roles/responsibilities (and how these add value to the firm) and the development of key relationships within the business through ‘strategic socialization,’ or meeting the right people at the right time within their development.” For a new board member of a family enterprise, specifically, it is also important that this integration occurs relative to multiple groups: the board itself, the shareholders, the family and the employees.

Why is onboarding especially important in a family business board?

In a word: **trust**.

Successful integration of a new director builds knowledge and connection between the individual and the group, therefore building trust among the board. Trust among group members is more than simply a “feel good” —

it enhances group effectiveness. The mechanism is complex, but one significant component is obvious: strong trust among board members facilitates the speed of transactions, ultimately providing a distinct competitive advantage.

Trust is also essential when working with the special challenges of a family business. The classic Three Circle Model illustrates an important characteristic of family enterprise: the

interaction between family and business. Whether it’s the deep history between relatives who may own and/or operate a business together or the generations of family

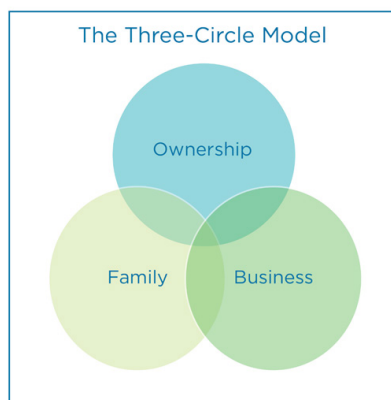


Figure 1. The Three-Circle Model of the Family Business System by Renato Tagiuri and John Davis

business legacy, there is typically a prominent family element to any family business that puts a premium on interpersonal relationships. Purposeful onboarding of new members recognizes those delicate elements.

There are several other characteristics unique to family enterprise that make effective onboarding particularly important:¹

- Their focus on continuity, which requires high performance, strong morale, and low turnover
- Their tendency to treat all employees as family members, which means they want to offer their people the best experience possible, from start to finish
- Their loyalty to employees, which makes them reluctant to let go of their people, even those performing poorly
- Their prominence and standing in the community, which makes maintaining their reputations and fostering positive employee responses paramount

How are new board members onboarded effectively?

Board service is a part-time role, so the opportunities for relationship building and understanding the company's nuances are extremely limited. This is where a structured, continuous onboarding plan and process come into place.

Prior to a new member's first meeting, it is essential to provide background information about the business and its shareholders. My colleagues Jennifer Pendergast, John Ward and Stephanie Brun De Pontet developed an outline for a board background book that accomplishes this important task exceptionally well:²

1. Family enterprise mission statement, history, and strategy
2. A "Who's Who" that lists such information as an organizational chart, shareholdings by owner (including type of shares), family tree of ownership group, and contact information for key advisors
3. Biographies of all directors and key executives
4. Summary information of key competitors, vendors, and customers
5. Company financial information

6. Audit and business valuation
7. Articles, bylaws, and board member indemnification information
8. Board schedule and annual agenda

Other early steps include assigning each new director a "Board Buddy" who is responsible for easing the new member's entry into the board. There should also be a formal announcement, both within and outside the company. This action not only ensures that appropriate individuals are informed, but it also signals to the new director that the company views his/her arrival as a tremendously positive step.

Paraphrasing the Greek philosopher Heraclitus: The only constant is change — meaning that the integration that occurs via onboarding is not a one-time event. For onboarding to be truly effective, it must continue indefinitely.

As mentioned earlier, trust is an essential ingredient for the success of any group, and that trust can be strengthened through ongoing, intentional efforts to enhance group cohesion. The simple act of spending time together allows individuals to discover similarities, and research shows that as the similarity between two people increases, so too does their level of trust. As a matter of fact, a recent research study³ showed that even an act as simple as eating the same food as one's fellow diner will increase the level of trust between the two!

So, be sure to arrange for social time between all board members — new and existing — as well as additional social opportunities for the new board members with shareholders even BEFORE the first board meeting. Activities that facilitate the exchange of information and allow for regular interaction between the new director and the incumbents will strengthen the onboarding process, even if it's simply a brief informal encounter.

More formally, the following regularly scheduled activities are good ways to ensure that onboarding continues beyond the initial stages:

- Board dinners the night before each board meeting.
- Once every year or two (budget permitting), hold the board meeting at a remote location.

Gathering at an industry conference or trade show provides the board with the opportunity to walk the show and make their own assessment of the competitive landscape.

Conclusion

Good boards are the foundation of good corporate governance and the sustainer of trust in a business-owning family. The foundation of good boards is thoughtful and thorough onboarding of new members, both family and independent, each time they are added. Embracing the above steps will not guarantee that a new member will be a success... but, careful attention to the way new members are brought into either an existing or new board will support their efforts to add value for all owners.

¹ Also from *Human Resources in the Family Business: Maximizing the Power of Your People* (2015)

² For greater detail, see *Building a Successful Family Business Board: A Guide for Leaders, Directors, and Families* (2011)

³ “A recipe for friendship: Similar food consumption promotes trust and cooperation” by Woolley and Fishbach, *Journal of Consumer Psychology* (2016).



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