



BOARD DEVELOPMENT & SEARCH

Board Services Tailored for the Family Enterprise



THE FAMILY BUSINESS
CONSULTING GROUP

BOARD DEVELOPMENT & SEARCH

Providing ideas, insights and accountability for the future.

The Family Business Consulting Group works with family businesses to build boards that reflect the family's values, principles and vision. Effective governance is at the core of a truly sustainable family enterprise. Established family businesses find that the guidance, direction and feedback gained through an active Board of Directors is an invaluable contributor to strong strategic planning and productive family relationships.

"A family business that is well governed is free to work toward the highest and best objectives of business — maximizing profit, improving strategy, creating jobs, fostering employee development and serving all stakeholders, including shareholders, employees, customers, suppliers and the community."

— Craig Aronoff and John Ward,
FBCG co-founders, Excerpt from
*Family Business Governance:
Maximizing Family and
Business Potential*

Protecting the integrity of both the family and the business.

While the board of directors of a typical company is mainly focused on creating value for shareholders, their family business counterparts can face more complex and difficult tasks. Family business boards act on behalf of family members with potentially conflicting agendas and also navigate often delicate topics such as leadership succession, compensation, and management performance. We guide families through the process of assessing their needs, planning changes to their governance structure, and ensuring that the board they create provides true value.



What Makes a Family Business Board Different?

In addition to the strategic and fiduciary contributions that all well-functioning boards provide, family business boards have unique responsibilities and opportunities. Family business boards must align with and support the family's vision for the business, values and priorities in order to ensure that management, governance and family concerns are addressed with proper balance and accountability.



These obligations require that directors possess skills and sensitivities that differ somewhat from non-family boards including the ability to achieve buy-in from the multiple stakeholders. This presents unique challenges to constituting the board, creating the board structure and leading the board effectively.

Whether family members or independents, successful board members must learn to:

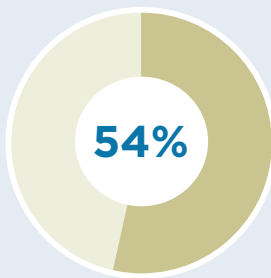
- Collaborate with family governance structures.
- Apply the family's philosophy to board decisions.
- Place strategic recommendations in the framework of the family's goals.
- Respect appropriate boundaries between the roles of family members, management and directors.
- Provide objectivity in discussions affecting both family and business.
- Oversee generational transition and adapt governance processes for a new, growing shareholder group.
- Foster transparency, trust, and accountability through ongoing, open communication with shareholders.



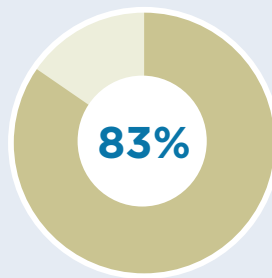
Adding Independents Increases Board Value for Leadership

According to our research, family businesses with independent representation on their boards reported a much higher level of board effectiveness than respondents with no independent directors. And reported effectiveness increases with the amount of independent representation.

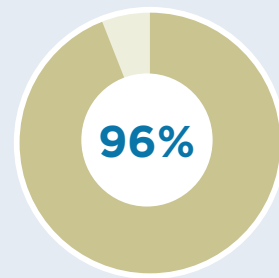
Type of Board and Percent of Sample Rating Their Board Effective



Family-only board



Two or more independents
but NOT a majority



Majority independents

Adapted from *Building a Successful Family Business Board* by Jennifer Pendergast, John Ward and Stephanie Brun de Pontet



Developing a fully integrated approach to governance systems.

At the heart of family business success is a governance process that evolves and adapts to the changing dynamics of the family, the ownership group and the management team as these groups themselves evolve. We recommend a tailored approach for each enterprise that reflects its unique strengths, challenges and opportunities, with consideration and appreciation for the family's history, vision, and dynamics. Our corporate governance work typically includes one or more related offerings.



Board Development

Board development is a purposeful process of advancing the structure and function of the board of directors. In family firms, board development often includes:

- Formalizing board meetings and management reporting protocols.
- Integrating independent advisory or fiduciary board members.
- Creating charters, role descriptions, and other governing documents.
- Defining and constituting effective committees.
- Enhancing board deliberation on strategic questions.
- Preparing family members and independent directors to be effective board contributors.



Family & Director Education

Family business boards often benefit from custom education for owners and board directors related to effective governance in family companies. These

educational programs can be a useful component of onboarding new family or non-family directors, or to inform the board about common questions and challenges faced by similar firms as they consider questions around strategy, continuity, succession, ownership, and more. Education may be used in partnership with other board development activities to build alignment, speed decision making, and support successful launch of new board initiatives.



Board Facilitation

In most boardrooms, meetings are facilitated by the chair or a lead independent director. In certain circumstances, outside board facilitation is advantageous to navigate

difficult conversations, or ensure all directors can fully focus on the content of the discussion. Our team can help structure and facilitate individual board meetings and strategic retreats, freeing your board to focus on the decisions at hand. continuity, succession, ownership, and more. Education may be used in partnership with other board development activities to build alignment, speed decision making, and support successful launch of new board initiatives.



Policy Implementation

Our process for creating and implementing policies enhances alignment within the family through shared dialogue and decision-making.

"An effective board of directors that is strategic and productive can help to significantly strengthen not just the business, but in many respects, the family as well. In our work, we find an increasing number of families are recognizing the potential benefits of board development — the process of formalizing their board, and including independent directors, with the goal of deriving greater benefit from their governance efforts."

– Kelly LeCouvie, FBCG senior consultant
Excerpt from "A planning guide for transforming your company's board of directors," *Family Business Magazine and Business Potential*

Getting the Most Out of Your Board

A robust board-evaluation process is a must to ensure a well-functioning, active, and involved board. Systematic evaluation uncovers and addresses issues related to board function and individual director contributions. Some families have standardized board evaluation processes, while others take a more casual approach.

Assessment of directors should account for the fact that advisors paid an ongoing fee, such as lawyers and accountants, are not generally considered purely independent board members. The paid advisors earn ongoing service fees, whereas other outside advisors working only on board governance activity should be able to discuss important topics from a fully unbiased position.

– Joe Schmieder, FBCG Senior Advisor, *Excerpt from The Family Business Advisor*



Independent Director Placement

The addition of independent directors to the family business board can greatly advance the board's effectiveness and value to the enterprise. To streamline the placement process, we maintain a substantial, growing network of executives with experience in governance and family firms.

Our approach to identifying and placing effective independent directors includes:

- Determining the strategic needs of the business.
- Evaluating expertise present among existing directors.
- Understanding how the family's mission, vision and values influence board priorities.
- Observing board, management and ownership culture.
- Anticipating key decisions that the board and ownership will face.
- Identifying opportunities to improve board function and welcome critical new perspectives.
- Developing a process and criteria for selecting new directors.
- Recommending a pool of qualified candidates.
- Partnering with ownership and the board in the director selection process.
- Advising on appropriate compensation and onboarding practices.



Board Assessment & Evaluation

Implementing a board evaluation process can provide a snapshot of performance that can inform decisions about board structure and talent needs, or an ongoing accountability and feedback tool for the chair and board that can enhance

engagement from both family and independent directors.

Board assessment and evaluation approaches can range from fully independent (consultant-led) to self-evaluation approaches, and can include both board effectiveness and director effectiveness measures as needed. Our team works with boards to collect robust and meaningful feedback and extract opportunities to foster improved engagement, management support and shareholder relations. We can then support the board in debriefing the findings, and developing a meaningful action plan to address any gaps.



Chair & Director Development

The transition from executive to director can be challenging. Effective directors must learn new boundaries, and determine how to effect change and accountability from outside the management structure.

Board service also requires distinct interpersonal skills to maximize board relationships, reinforce accountability and remain a resource to management and ownership. Individual coaching and development can be useful for the family business chair, new family directors, and independent directors to help them navigate this new role and build competencies that can magnify their impact on the board and the business.

A Case for the Directors: It's More than Just Business

"We're probably going to dissolve our board," a family business leader told us last year. He said that the governance body, which had been in place only for three years, was able to advise on business strategy and operating issues, but struggled to deal with challenges that arose at the intersection of business and family, such as family employment and intra-family conflicts.

"The belief of the independent board members is that the family should deal with those types of things ourselves," he said. Luckily, we convinced his business to replace the directors in question with those who could help the family take on issues beyond maximizing shareholder value. Soon they found the right people to fill the roles, and quickly benefited from the new directors' guidance, maintaining the critical element of independent governance.

While that story had a happy ending, it reflects a high-stakes challenge for family businesses: finding independent directors equipped to advise on issues beyond economic value creation. In short, the best independent directors in a family business, unlike their counterparts at non-family private firms, will

understand the nature and goals of the business and the family. That enables them to help the family create not only shareholder value but also other things family shareholders value, including long-term family engagement, unity and alignment. Put another way, directors who can't or won't move beyond the familiar territory of shareholder value and business oversight will not be the best fit for most family firms.

Getting the most out of your independent directors involves knowing what to look for in prospective board members and understanding the unique family business areas where their guidance can be most useful.

– **Stephen L. McClure**, FBCG principal consultant
Excerpt from "Find the Best Independent Directors for Your Family Business," *Private Company Director Magazine*



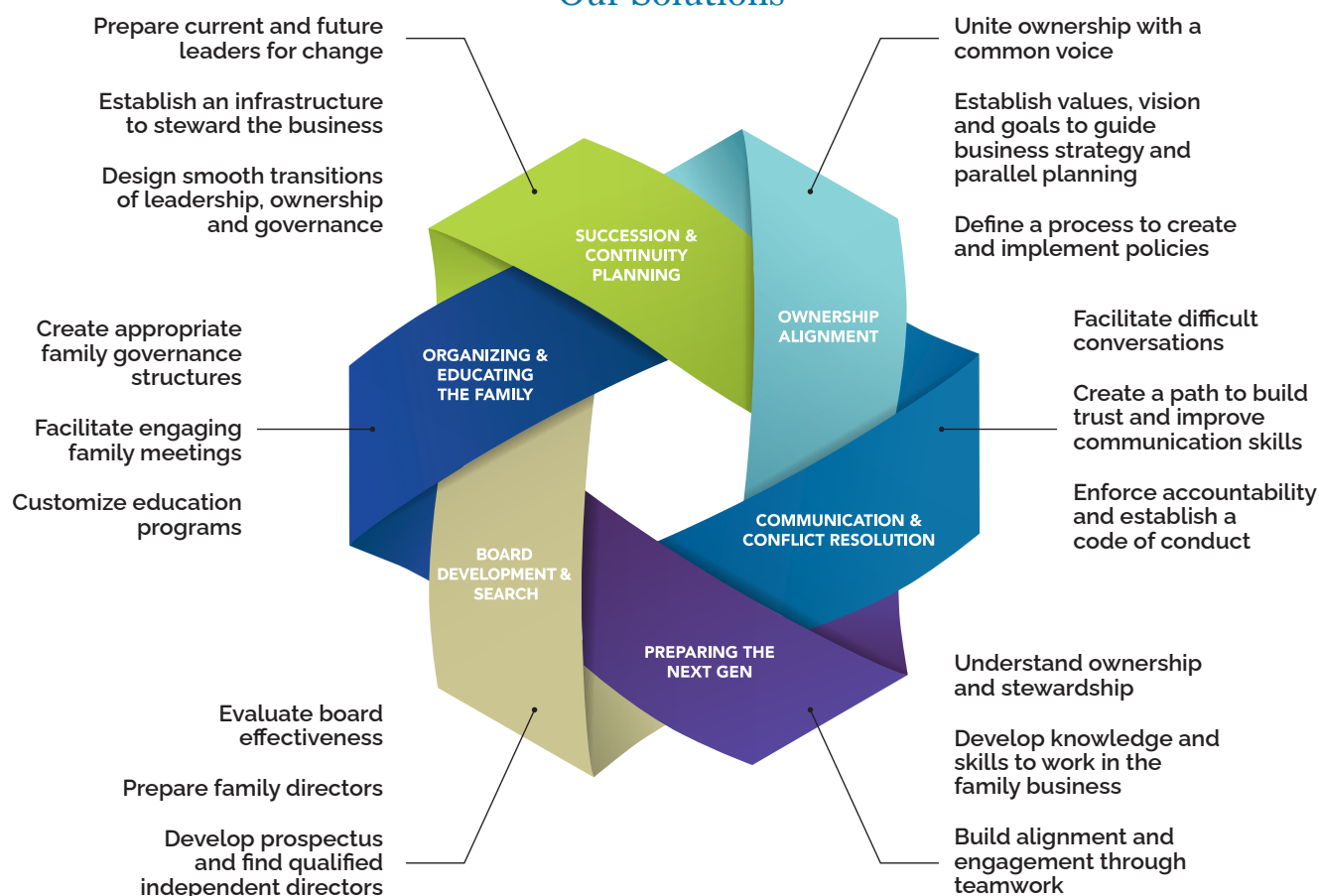
What's best for your family. What's right for your business.

Our consultants have helped thousands of enterprising families create a foundation for better business performance and stronger families.

This allows you to formulate plans for the future, and inspire you and your family members to work and live in harmony for generations to come. We start by listening, getting to know you as individuals and as a team, then work with you to co-create solutions and implementation.

Together, we'll build a bridge to the next generation with a solid plan and peace of mind. Because when families join together, your family business stands apart.

Our Solutions



Let's Start a Conversation

To learn more about our firm and how we serve families like yours, call (773) 604-5005, email info@thefbcg.com or visit www.thefbcg.com.



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Helping Family Businesses Prosper Across Generations.®