The Courage to Govern: A Letter to Family Business Directors

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Serving as a director of a family business is both an honor and a profound responsibility. Most directors approach the role with integrity and a genuine desire to see the business and the family succeed. They attend meetings, review reports, ask thoughtful questions, and contribute valuable experience.

Yet one responsibility often separates an effective board from an exceptional one: *The willingness to challenge.* Too often, directors — particularly those serving family-owned enterprises — become hesitant to question management's assumptions, push back on the recommendations of a respected CEO, or challenge the expectations of influential owners. Relationships are valued, harmony is prized, and difficult conversations are sometimes avoided. While understandable, this reluctance comes at a cost.

A board serves the business best when it balances support for management with the courage to provide constructive challenge. Its fiduciary duty is to protect the long-term health of the enterprise by exercising independent judgment. That means asking difficult questions, testing assumptions, insisting on evidence, challenging strategy when necessary, and holding management accountable for results.

The best directors understand that respectful challenge is not disloyalty, it is stewardship. Constructive tension around the board table often produces better decisions and fortifies management rather than undermining it. Great executives welcome rigorous oversight since it sharpens their thinking, ultimately improving the performance of the business.

Family businesses need directors who possess not only wisdom and experience, but also a willingness to speak when others remain silent. Sometimes the most valuable contribution a director makes is not agreement, it is the thoughtful question that everyone else was reluctant to ask.

Years of board assessments reveal the reality of deferential or acquiescent behavior among many board members. This result is a disservice not only to management, but also to the shareholders who elected directors to represent their best interests.

As a director on the board(s) you currently serve, how would you respond to the questions below?

1. Are we challenging strategy or simply reviewing it?
2. When was the last time we disagreed constructively with management?
3. Are we measuring management against clear expectations or accepting explanations?
4. Are we protecting today's leadership, or safeguarding the business for the next generation?

5. Would we make the same decision if this were not a family business?

1) Challenging Strategy

There is an important distinction between reviewing strategy and challenging strategy. While they are closely related, they are not the same.

Reviewing strategy is the board's responsibility to evaluate whether management's proposed strategy is sound, aligned with the company's purpose and long-term objectives, and supported by appropriate assumptions, resources, financial analysis, and risk assessment.

Challenging strategy goes a step further. It requires directors to actively test management's thinking by asking difficult questions, examining assumptions, exploring alternative perspectives, and encouraging constructive debate. Reviewing determines whether a strategy is well developed. Challenging strengthens the strategy by exposing blind spots, reducing groupthink, and mitigating risk.

In family businesses, this distinction is especially important. Directors, particularly family directors, may hesitate to question the CEO, founder, or family leaders out of respect or a desire to preserve harmony. Loyalty should never come at the expense of sound governance. A director's fiduciary duty requires independent judgment and the courage to ask difficult questions, even when those questions are uncomfortable.

2) Constructive Criticism from Independent Directors

Independent fiduciary directors play a vital role in strengthening decision-making by providing constructive criticism in the boardroom. Their independence allows them to test strategies and ask difficult questions without the influence of family relationships or personal interests. As a result, management is often more receptive to their feedback, which leads to better debate and stronger decisions. It can be argued that independent directors should take the lead on this type of inquiry for the reasons above, and because they are often seasoned leaders of other businesses.

3) Metrics for Management

One of the most important responsibilities of fiduciary directors is to evaluate management's performance against clearly defined expectations and agreed upon objectives. By focusing on measurable outcomes rather than personalities or relationships, directors promote objective accountability, encourage continuous Improvement, and ensure that management remains aligned with the long-term strategy and the best interests of the shareholders.

4) Serving Today vs. Protecting Tomorrow

Fiduciary directors have a duty not to protect today's leaders but to safeguard the long-term success of the enterprise. While they should support and respect management, their primary responsibility is to ensure the business remains strong, resilient, and well-positioned for future generations. This requires critical assessment of a strategic road map, and the ability of existing leaders to execute on core strategic goals that shareholders expect will be realized.

5) Family versus Non-Family Businesses

Long-term success depends on sound decision-making and strong accountability. Effective governance requires decisions to be made on careful analysis and critical inquiry. The board's ultimate objective, regardless of ownership structure, is to strengthen long-term performance and enhance value over time.

The shareholder expectation is that directors will ask difficult questions with respect, wisdom, and a steadfast commitment to the enterprise's enduring success. Having the courage to govern with this mindset is among the greatest gifts directors can bring to a family business board.

To learn more about our firm and how we serve families like yours, call us at (773) 604-5005, email info@thefbcg.com or visit www.thefbcg.com. There is absolutely no obligation.

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