

BUILDING A HIGH PERFORMANCE BOARD TO ACCELERATE GROWTH

presented by William Tenenbaum



William began his **presentation** by outlining four primary topics, namely: what's the ROI of putting in a board, what's the impact of a board, how to improve your board once you have it and keep it a well-oiled machine, and how to compensate your board members. By focusing on the right areas you can get a lot of performance out of your board.

So, why have a board? Boards can drive growth through strategic guidance, accountability, credibility, networking and succession. Why do you need a board? Boards provide "air cover" for tough decisions. They become a neutral third party for family members, investors and partners.

In terms of the ROI of having a board, Lodestone Global's research has shown that 96% of companies reported increased revenues since

implementing a board of directors. Moreover, 93% of companies reported increased EBITDA and average revenue growth of 55% since implementing a board of directors.

William then turned to the topic of how you build and improve your board. The focus, he emphasized, needs to be on strategy first and foremost. Beyond fundamental secondary responsibilities, boards need to understand where the company is headed and its goals; and to align the strategic direction with board members to drive that growth. Other issues include M&A, technology, brands and critical issues.

If you're a board member looking for a seat, it's all about aligning your skill set with the strategic direction of the company.

About VAB

The Virtual Advisory Board (VAB) community was created to connect top talented senior professionals across the globe to engage with CEO's/Chairpersons of different industries and sectors to address their business challenges. Our community value proposition is to have a personalized, exclusive boutique platform for our advisors and clients, where they can connect, learn and network. For more information please contact david@virtualadvisoryboard.co.uk.

The top issues facing private, mid-sized boards are strategy, execution, operations and acquisitions. "You want your meeting to be less past tense and more forward thinking," said William.

What's the secret sauce for selecting directors? While related industry experience is the obvious choice, culture definitely matters. More diverse and inclusive boards have a greater impact on performance. It's about finding people who can really drive the business forward, not necessarily just friends and family. And that's where culture and trust matter most. Not just trust between board members, but also between board members and the executive team. Board members need to be much more engaged in order to drive that trust, culture and accountability.

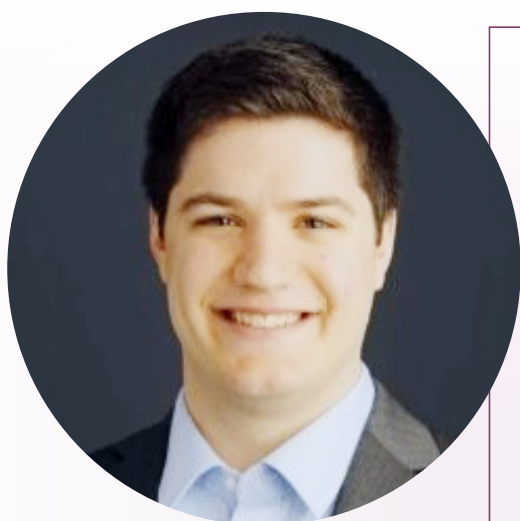
But it's not always a walk in the park, so what happens if things go wrong? Vocal minorities can tip the boat. That's where it's essential to use other board members to check and challenge. There needs to be an accountability matrix; plus, diversity and mutual respect matter greatly. William went on to stress that he recommends setting a two-year term limit for board members. While this can obviously be extended, putting such a structure in place initially allows for easier conversations when you want to replace a board member. At the same time he noted that while boards have met typically four times a year with twice yearly check-ins, i.e. typically 6 times per year, last year this changed to 12 times per year with increased pay per meeting but the same retainers. This means that during the

pandemic boards were asked to do more but got paid the same: a trend that will be interesting to watch.

Getting the best board members is also a challenge and it's not just about compensation as most people think. The quality of management, opportunity to learn, the challenge they are helping grow, the company's vision and the network you create on the board are all essential attractors. At the same time, compensation is generally based on the size of the company, the industry and structure, how often the board meets, the quality of the talent and the country and travel costs (an issue that has changed in Covid times and become markedly less important due to the use of virtual meetings). Private companies tend to use less equity as compensation and some 80% of companies use only cash.

Board management starts with developing the right agenda so that the board functions smoothly; i.e. as a body that's not stuck on just thinking about the past but is able to transition into thinking about the future.

William closed out his remarks by pointing out that high performance boards have a big impact and improve corporate profitability. However, this only happens if they focus on strategy, are clear on responsibilities and collaborate and challenge each other. Culture always trumps strategy/effectiveness. If you don't get the culture right, you're out of the game.



William Tenenbaum is a founder and managing partner of Lodestone Global, a selective consulting practice focused on business strategy with an emphasis on pragmatic execution and corporate governance, often for family owned companies. He has assembled, consulted on, and been a member of over 100 advisory boards.