

Meeting Takeaways

May 15, 2019

The Value of an Independent Board and Getting Started with a PDA Model Board MeetingSM



Moderator

Rob Sligh

Director on Various
Private Business Boards



Panelist

Tom Goldblatt

Managing Partner,
Ravinia Capital LLC



Panelist

Ed Holland

President & CEO,
M. Holland Company



Panelist

Cece Matot

President & Owner,
Matot, Inc.



Panelist

Fred Sasser

Chair Emeritus,
Sasser Family Holdings



Panelist

David Smith

Director, Gallagher
Fluid Seals

On a balmy May evening, in the former living quarters of Marshall Field, our 5 distinguished panel members shared their unique experiences with the audience. They illustrated both how outside Directors can assist company leadership as well as the value of the Model BoardSM experience. The participants were very open and frank.

The first panelist illustrated the challenge of a third generation CEO with no successor ready to take the helm. In such an instance an outside, independent board provides the benefit of both continuity and objectivity in selecting a non-family CEO.

In another example, the Board bolstered a family member who was not ready to lead the company. The independent board was established as support for the third generation CEO upon the retirement of his father. Board members were carefully selected considering necessary skill sets (governance, industry experience and strategy) and a fiduciary board was established. When initiatives to encourage the CEO to create a strategy failed, a board member was selected to coach the novice CEO on-site,

for several months. The effort was successful. Once the new CEO realized the Board was there to help him, he embraced it. The speaker made the point that the fiduciary board must have the right to “fire” family members if necessary, for company success.

The existence of an outside Board of Directors helps to take family issues out of decision-making. The board can be more objective when dealing with a family member who can no longer meet job requirements and can back the CEO on a tough decision to remove them. The Board’s goal is to do what is best for the company and in some instances that requires impartiality.

The three panelists from companies who tried the Model Board agreed that the experience aptly demonstrated the value of outside directors in bringing forth new ideas and helping to solve existing problems.

One of the companies is forming an outside board in the fall and another is expanding the number of independent directors on the existing Board.

During the Q & A, several topics came up. The value of Board evaluations was affirmed as a way of making sure the Directors are doing their job. In one company, an outside facilitator monitors the meeting and evaluates the Board members’ contributions to the discussion. In this way a company knows when to make changes.

The speakers differed on the value of term limits but agreed that the Board should make sure strategic and longer-term issues are addressed in discussion vs. focusing only on the numbers. Board members need to have the right chemistry and ability to speak frankly. A good Board brings the experience of former executives to bear on moving things forward for the company.

As a self-described Board zealot said: “Surround yourself with smart people and listen to them. They can help you figure out where to go or how. Draw from their experience.”