



PDA Newsletter June 2015

The CEO Advantage: An Advisory Board

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Insider Board Views from a CEO and CFO: Mid-Market Companies

June 23, 2015

5:30 PM to 7:30 PM

Bank of America N.A.

540 W Madison Street Chicago, IL 60661

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CEO's and Owners who implement effective governance and advisory boards are provided an advantage. Experience says so. Extensive research says so. And this advantage can ensure survival or ensure better successes. This was the clear message from a recent Private Directors Association's Middle-Market Series event. The panel consisted of Ed Carney, CEO, President and leader of the 4th generation Chicago based Superior Graphite; Lyell Clarke, CEO and Chairman of Clarke Companies an environmental solutions firm based in St. Charles, Illinois; and Moderator Bill Hubbard of Hubbard Business SAE, a new advisory board business, a Chicago-based corporate, board, and transactional attorney and founder.



Bill Hubbard



Ed Carney



Lyell Clarke

ED Carney, who effectively uses a governance board of insiders and outsiders, delivered these points:

- If you're [as a CEO] wondering whether you need a board, you do.
• Preparation, for board service and each meeting, is important.
• Vetting of each board member - and personal chemistry with the CEO matters.
• Each member must contribute with his or her own opinions, not echo the CEO.
• Boards can be most helpful in any number of ways: governance, outside perspectives/objectivity, connections, industry knowledge, sounding board for ideas, and strategy.
• Boards should push the CEO to do the things he or she should do.
• You get what you pay for; roughly the daily pay of the CEO is appropriate for a governance board member.
• Board member insurance for a governance board is essential.
• A balance between CEO leadership of the board and board leadership probably is optimal.
• Certain formal aspects/metrics to regularly cover is necessary.
• Size and types of boards and numbers of meetings depends generally upon the size of the company and resources available: from formal, structured governance with 12-15 members meeting 10 or more times a year at the high end to an advisory board with a couple members meeting irregularly at the low end. In the end it's based upon the CEO's (and, if a governance board, the board's) decision as to what resources to deploy, with whom, and for what intended results.

Lyell Clarke, a PhD Entomologist who uses a 5 person advisory board of predominantly outsiders, emphasized Board members do the following:

- Encourage increased self-discipline and accountability for the CEO and the organization.
• Evaluate strategic initiatives and help the CEO translate strategic plan into action.
• Evaluate acquisitions.
• Assist in developing international strategies.
• Evaluate organizational needs to accommodate growth.
• Evaluate financial performance and future long range goals.
• Help the CEO with succession planning.
• Evaluate and sort through opportunities.
• Help develop company best practices.
• Help the CEO take the right chances.
• Perform under these rules: honesty & integrity; hold the CEO accountable; don't pull punches; be objective; and act as a stabilizing force in a crisis.
• Don't focus on day-to-day finances or operations; don't be manipulated by staff.
• Adopt recurring themes (e.g. succession, strategy, budget, and financial metrics) for particular quarterly meetings.
• Consider tenure as an initial 2 years; maintain sufficient continuity.
• Encourage comradery; keep a positive tension.
• Seek multiple views, but provide objectives.
• Be more effective through diversity.
• Expect results which likely prevent potential disasters; re-focus budgets and lead to optimal performance.

Bill Hubbard, whose company was founded to design, implement, and lead advisory boards, main messages were these:

- CEO and Board members consider the characteristics found in long-lived companies: sensitivity to the environment, 360 degree loyalty, tolerance to take judicious risks, and conservative financing.
• The Company's and Board's mission and individual board member characteristics must be tailored to the Company's needs.
• Diversity of gender, age, experience, industry, leadership, core values, technical knowledge are all appropriate.
• Commitment, small group dynamics, processes, and leadership each are important as is the appearance and reality of board legitimacy.
• Developing company specific metrics, recognizing limitations, and aligning Board members' compensation with company performance matter.
• The Board's ability to cause the company to timely adapt, and to create the right conditions for future successes, probably matters most.

The Conclusion:

Want far better odds for better, more sustainable successes as a Middle-Market CEO or Owner? Then implement an effective governance board, advisory board, or both. How do we know? Because that's what the evidence shows is your best bet and your investment in doing so should be worth every penny. The hard-learned and costly experiences, as well as extensive board-effectiveness research, have led to this conclusion.

Want the next installment? Join the PDA's 2nd of the Middle-Market Series Panels focused on the importance of a CEO's and Board's commitment and use of metrics in the next of the series. If you do, you will be able to network with those passionate about the subject of CEOs and Boards building value, learn more about boards' effectiveness, and have important access to prime middle-market governance and advisory board candidates. Sign up now at PDABoards.com