

Special Edition Newsletter

Board Director Focus: Family Business Transitions



Bob Arciniaga is the Founder and Managing Partner of Advisory Board Architects, LLC. Founded in 2005, ABA builds, maintains, and manages “High Impact” advisory boards and boards of directors. ABA works with both private and publicly traded companies from \$20mm in revenues to \$22bil. ABA is proud to have had over 1600 board meetings run on ABA’s proprietary platform in 14 different countries and 4 different languages.

Recently Bob also co-founded Boardology which provides organizations with a technology platform to track performance and engagement data from their board meetings in order to increase engagement for board members and create greater strategic board impact for organizations.

Bob has personally run and built boards in Panama, Columbia, Mexico, Ukraine, Malaysia, Spain, Singapore, China, and the US. Bob is a recognized thought leader in building High Impact boards and speaks at many events for boards of directors and organizations.

Bob is centered in the entrepreneurial world, as a leader, business owner and investor. His grandmother founded one of the largest Mexican Food Products Manufacturing Companies in the United States in the garage of their home in East Los Angeles in 1948. He augments his family business experience with his work on Wall Street as a trader in institutional equity and hedge fund environments. He has developed and integrated algorithms for trading platforms and has incorporated similar methodologies and systems to enhance the traditional board process through ABA and now Boardology.

Unlocking the Impact of Your Family Business Board *A Transformational Formula to Drive High Impact from every Board Meeting*

Bob Arciniaga

This is the time of year that many organizations are evaluating and re-evaluating their business and operational plans. This often includes analyzing the optimal board structure, meeting facilitation, process and evaluation enhancements. Given the challenges of 2020, many organizations are realizing that their boards are an underutilized asset. They want their boards to transcend a basic governance mandate and drive greater enterprise value for shareholders.

For family businesses, this is especially important as their board discussions can often have a more personal perspective. As an example, board members from other types of ownership structures (Investor Backed, Listed, etc) probably did not see their fellow board members around the dinner table (in person or video chat this year) over the holidays. I have a unique perspective as I have built a firm that works with many family business boards globally and I also grew up in our family’s multi-generational national food manufacturing business. I did see my fellow board members,

shareholders and family members on video chats for Thanksgiving and Christmas.

During this time of year our team is working with all of our clients on the process of enhancing their board plans and directly correlating them to their strategic goals and objectives. However, for many of our family business clients our conversations are very different this year. They now realize why the “cookie cutter” board structure and processes are not optimized for board performance, especially during extreme times of crisis and opportunity. They are realizing that they used to follow the same outdated board model developed by consultants who have never worked or been a shareholder in their own Family Enterprises.

These discussions have highlighted some common board “myths” that continue to limit the impact, engagement, and efficiency that is possible for boards of Family Owned Enterprises. In this post I am going to share four critical areas that have been discussed in recent conversations that highlight how traditional boards of

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Family Businesses can transform into a High Impact Board and create actionable value in future board meetings.

High Impact Board Tactics

The Board structure could be limiting the potential impact of the board. There is a “fallacy of control” in many Family Businesses. The Board may have a Fiduciary title but it is not truly independent because the family maintains control over the board. I personally agree that a Family should control their business. I know my family would never consider giving control of the decisions of our family business to outsiders even though we value their advice. However, the standard board model puts a family in a difficult and complicated situation. Most private family businesses may want outside advice but they also want to maintain control. So the most effective and least complicated way to accomplish this is by putting “independents” in a Non-Fiduciary role utilizing an Advisory Board. The Advisory Board structure better reflects and embraces the reality that the family values advice and counsel but will always maintain control.

I know what we have all been told....advisory boards are not “real” boards. This myth could not be further from the truth. Through our experience with almost 2000 board meetings run on our system, we have proven that Advisory Boards save more time and money and provide higher engagement than Fiduciary Boards. This is due to their focus on the strategic imperatives of the business. There is also no need for committee structures that can be highly ineffective and provide little impact. Additionally, these board structures are often more engaging because they leverage the board members’ expertise on driving business results and not on meaningless reports or updates. These boards have “real” impact for shareholders.

These other recommendations are much easier to implement with an Advisory Board structure but they can (and should) be implemented in any board structure if the goal is a High Impact Board that perpetuates growth and not just legacy.

Strategy is an Every Meeting Discussion. The board should be viewed as a way to provide the organization with ideas and processes to accelerate future business growth. This will require two important components, first is the ability to be open to new ways of thinking and second is the ability for the independent board members to provide these insights. An advisory board is the most effective way to accomplish both of these goals. We have seen advisory boards provide tremendous value to family business owners in thinking about how they can develop comprehensive planning processes for critical business strategies including Succession, M&A, Innovation, etc. They have been able to influence the trajectory of the business not by their vote but through their ideas. The flexibility of an Advisory Board means that the board members provide helpful ideas and experiences but there is no need to “vote”. Ultimately the decision of implementing these ideas is the responsibility of the family owners to decide based on the

information provided by the independents. These are the types of strategic discussions that the board should be having for the majority every board meeting and not just once per year.

High Impact Boards Measure Success. The value that most boards create is subjective at best and when boards have a greater focus on Governance the value is often questionable. High Impact Advisory Boards generate ROI from the board for shareholders. We can prove this statement as fact because we have a robust board evaluation protocol. Boards that measure their success and the success of their board processes have a quantifiable long term impact on their organizations. The combination of Annual and Post Meeting Board Evaluations communicates three critical aspects of the board;

1. The value generated from the last meeting
2. The value generated over the previous year
3. How the board members can create greater value for the organization in the future

This information is highly valued by Board Leaders globally. This is a highly engaging process and a best practice and should be part of your board if you want High Impact.

Presentations Kill Engagement. The best way to drive High Impact is to stop all management presentations in board meetings and limit the amount of time that all non-independents speak during the meeting. There is minimal value created when board meetings are predominantly focused on getting the board members “up to speed” on the business from last quarter through a reporting process. Tremendous value is created when the board members present their ideas to the team based on their experience. One of the key metrics in how ABA quantifies the impact of a board meeting is who is speaking. When the Non-Independents speak less than 15% of the total meeting time we know it was optimized for impact.

We realize this may seem difficult and we agree if you are following the standard reporting process of most boards. This tactic is actually quite easy to accomplish through a simple but significant adjustment in the traditional board preparation process that will ensure that ALL board members read the information and will come prepared to add value.

We realize that some of these concepts contradict the standard board process, however, we are confident that these tactics will drastically accelerate the impact of your board. This confidence comes from implementing these same tactics over 1000 board meetings globally over the last 16 years and the data we have collected that continues to demonstrate High Impact. Ultimately, deciding to transcend the standard board process and expecting more value from the board is a “family” decision based on input from their board members. Like most important decisions in a Family Owned Enterprise.