NACD Northwest
Program Takeaways
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Fine-Tuning Investor-Owned Company Boards

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Board Governance often comes to the attention to investor-owned and small company businesses when there is a potential or upcoming change in the business such as going public or deciding to sell a family business. The transaction/change is often slowed down because of the time it takes to get independent directors on board and to put some governance structures in place.

With family businesses particularly, it needs to be made clear what decisions are for the family to make and what decisions are within the board's authority. With private equity, there may often be a conflict between a PE director and the best interests of the business so that accountability for investors, directors, and management is blurred. With both types of business, related-party transactions are more prevalent which puts independent directors in a difficult position.

New independent directors need to place a strong focus on succession planning which is typically not at the forefront of small boards. Succession planning should be considered both for the board itself as well as for the management team running the business.

Creating a committee structure can be difficult because owners may feel that they are giving up authority to a small group of people and losing some control. But independent directors need to help the owners understand the need for basic governance from minutes to committees and, if necessary, insist on a plan to create governance before joining a board.