

# What Can a Board Really Contribute?

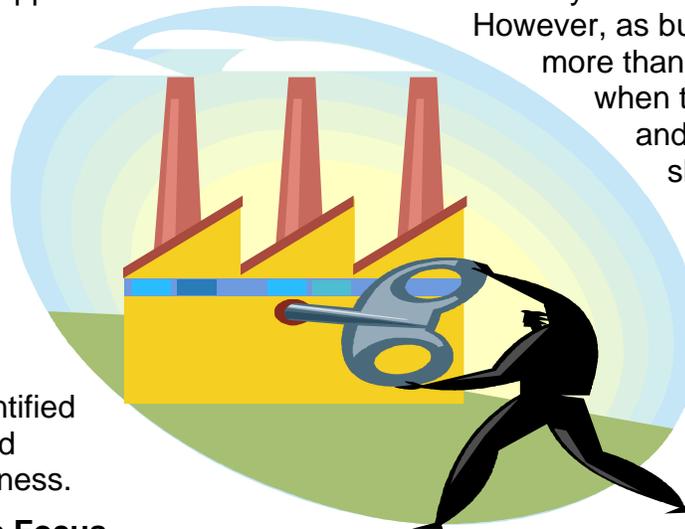
by **Bob Vinson**

Many business managers consider a board of directors to be an unfortunate circumstance of the company's operations. Especially those senior managers who must, by law, report to and consider the demands of the directors, sometimes feel constrained and circumscribed by the authority and conservatism of a board.

In most cases, during the start-up process, owners and entrepreneurs choose board members from among their friends and family. They want a board that they can trust, not only to support their decisions, but to help maintain their control over the business and to safeguard the assets of the company. This approach seems to work fairly well in the chaotic early phases of a business.

and managers need members, especially more broadly owned represent a larger owners (stock

So what are the should expect their for them and what should they consider members? We've identified contributions that board should) bring to a business.



However, as businesses grow, owners more than just loyalty from board when the company becomes and the board begins to share of non-participating holders).

things that businesses board members to do personal capabilities when selecting new six capabilities and members can (and

## **Maintaining Strategic Focus**

In its role of representing the business ownership, the board must have the final say on and be the custodian of the business' future. While it may not be the task of boards to actually produce the company's strategic plan, it certainly is the responsibility of the board to approve and support it and ensure that the path chosen is feasible, that the company has or can acquire the resources to achieve the goals it sets forth, and that the expected result is one beneficial to both the company, its ownership, and its stakeholders.

Consequently, the board should contain or have at its disposal the experience and talent to recognize and evaluate strategic issues, identify and evaluate likely outcomes, and identify and evaluate the business' capabilities (or lack thereof). And, it must have the will to maintain this strategic viewpoint across time and in the face of inevitable conflict.

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## **Recruiting Top-notch Talent**

If your board members are well-connected within the local or regional business community and especially within your industry, they will know or and be acquainted with the top managers and experts. They will be in a position to advise and assist you in seeking out the top talent in the industry both in the managerial and expert ranks. Nothing is quite as important to the success of a business as the quality of its employees.

## **Facilitating Business Relationships**

Just as they are acquainted with individuals in the appropriate business arenas, so should board members be acquainted with businesses. Its relationship with the businesses around it is probably the second most important factor that helps determine and enterprises success. Suppliers, customers, co-producers, regulators, all have great influence on a business' success whether financial, social, or political.

Electing board members that can maneuver in these arenas and are familiar with and work well with the various entities therein can produce substantial positive momentum and contribute greatly to the business successful progress.

## **Lending Personal Competencies**

When selecting board candidates many companies look to former executives from within their own industry. It's reassuring, and can be valuable to acquire operational and financial knowledge specific to ones' domain in this manner.

On the other hand, many, once electing or appointing an industry expert to their boards, never use the knowledge that the member has built up over years of experience.

If you are lucky enough to have an expert on your board, make use of his experience and wisdom. Involve him in tactical planning and ask his advice on difficult short-term issues.

## **Balancing Short and Long Term**

While it is the responsibility of the board and the company top executives to prepare the company for the future, it is also the responsibility of the board not to lose track of the present. The board members must be involved in present activities sufficiently to ensure that the company achieves results in the present that will support future goals.

Conversely, if the goals set forth by the board for the future are not achievable because of current deficiencies then the board has lost track of its current operating environment and is likely to lead the company into disaster.

## **Succession Planning**

Finally, many analysts consider that the primary responsibility of the board is to select and groom a successor to the current executive.

Very few businesses have a succession plan, whether it is the selection and grooming of a follow-on executive or the identification and planning of an exit strategy.

The board, being the major representative of the business ownership, should have the capability of looking beyond current management to the maintenance of the company assets and leadership in whatever beneficial form.

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Unfortunately, most owners or executives choose board members based on political allegiance and expected loyalty or accept members posted by stockholders and stakeholders as hindrances to be avoided and ignored, or, even worse, as adversaries in the struggle for control. In doing so, they squander a chance to form and utilize a powerful business asset.

Just as the wise manager is constantly recruiting valuable potential employees, the wise executive is constantly identifying and recruiting potential board members who can bring to bear outstanding capabilities in each of these six areas.

In this way, the board can become a powerful force for accomplishment of the business' goals rather than being a hindrance to success.

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