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Steps for developing family directors

By Peter Begalla

Need a deeper bench? Here's how to build one.



Your board has evolved over the last few years, and now there are retirements of both family and independent directors on the horizon. Looking at the family, you may see the desire to serve, but not necessarily the depth of experience that is required.

Your board may have started out fairly narrow in scope and nuance. With time, energy and focus it has grown so that questions are probing but not in the weeds, the packet is robust and timely, the agenda is tight and relevant, and the directors are thoughtful & balanced. In other words, 10 years ago you wouldn't make the cut for the board you have today.

What can your family enterprise do to develop the experience, mindset and temperament for board service? Here are five things to explore and implement now, so you can grow family directors over time.

1. Transform your family enterprise into a learning enterprise. Establish a curious and adventurous culture within the family. Encourage educational achievement. Celebrate educational milestones, engage in conversations about current events and discuss general business principles. Allocate funds for education on family enterprise dynamics, governance, financial literacy and industry specifics. With a budget and a list of programs, family members can cycle through various learning experiences over time. The goal is to make learning and development something that is prized and celebrated.

2. Base board appointments on merit. Let everyone know what it takes to be an effective director. Create a list of work and educational experience, skills and mindsets that are the hallmarks of a strong director. Knowing the requirements enables the family enterprise to identify what development and education work is needed, and gives individual family members a way to gauge themselves. Provide coaching to family members on effective use of the required skills, and where they may need further development. For example, someone may see everything through a financial lens and ignore strategic thinking. That individual would seek out ways to cultivate their ability to formulate strategy. If someone has a strong sense of urgency but struggles with ambiguity, they would find ways to be coached on living with uncertainty.

3. Share opinions and learn to debate productively. Create an environment where different views can be shared openly. When the family gets together, share opinions and respond to differences with dialogue that is respectful yet challenging. The free flow of ideas and constructive debate is the lifeblood of every board. Setting a tone within the family enterprise that viewpoints are interesting and not threatening cultivates the skills and temperaments necessary to share thoughts, revise positions and find common ground.

4. Demystify your directors. Introduce your independent directors to the whole family shareholder group. Invite a director or two to the family meeting and ask them to share their backgrounds. Have them stay for a family dinner and make it easy for family members to get to know them. If the independent director has a strong CV and solid experience, family members will take note. They'll appreciate the level of achievement and the demeanor that is prized in the boardroom.

5. Make director selection as objective as possible. Use external search firms to find your independent directors. Create a nominating/governance committee so there is a solid process for appointing family directors and formal criteria for the role. The more objective and transparent the search and slate creation for family directors, the better. If your voting mechanisms are informal, look to tighten them up. Is there a way to have a slate presented and voted on annually, or every two to three years? Is your process in line with your shareholder agreement?

A word of caution: Going from a very informal way of choosing family directors to a more objective process can be fraught with tension. The old ways of doing things take a while to undo. Go slowly, and try not to alienate anyone when implementing a new, more transparent process for electing directors.

The transition is worth it. Everyone will know the process, and that "power" and "politics" are not a dominant force in board selection.



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