

# LOOK BEYOND YOUR PERSONAL NETWORK TO RECRUIT TOP-LEVEL BOARD MEMBERS

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One of the challenges unique to privately owned family businesses is that the longer they're around, the bigger the family gets. And in many cases, as the family grows, so does the number of shareholders.

Family businesses often pass ownership on to family members, of course, which means that by the third generation there can be a virtual sea of family shareholders. In order to satisfy the needs of everyone in the expanded ownership group, the business must grow and continue to be profitable.

At this stage, the company needs a strong board, supplemented with exceptional and experienced non-family members, to guide it to higher levels of success.

Most boards of founder-led and second-generation family companies are made up of the CEO's family or friends. These board members, though they are trustworthy and have a vested interest in seeing that the business thrives, are often unwilling to rock the boat by asking tough questions. Assembling the most effective board for a growing company requires a more strategic approach.

If your board members are reluctant to challenge you, you will miss out on the company-changing revelations that often arise out of lively debates. If your board is made up of people who just want to please you, your company will suffer.

One of the biggest and most common mistakes made by family business leaders looking to create or augment a board is aiming too low. The most common reason given for not seeking out CEOs of highly successful companies as board candidates is, "I never thought we could attract somebody of that caliber."

Remember, not asking is not getting! Before you begin your search, build a profile of a superstar you'd love to see on your board.

### **Shooting for the moon**

In my experience, a candidate who has the following qualities is the quintessential board member for a family business:

- 1. Financial acumen.** A superstar board member with an aptitude for financial analysis will be able to get to the heart of most business challenges quickly. Look for someone who thoroughly understands balance sheets, profit-and-loss statements, business ratios, true gross margin, potential tax implications, depreciation and any other area that is important to your business's success.
- 2. Gravitas.** Accomplished board members who are outside the family circle command respect and can serve as mentors and sounding boards. Their perspective can be invaluable when it comes to grooming the next generation of family members.
- 3. Leadership.** When considering prospective board members, be sure to assess whether they have the potential to serve as board chair or as an interim executive in the company. Ask yourself, "Can this person lead? Does he or she have experience managing a diverse group of high-performing executives?"
- 4. Diversity.** A board whose members have a wide range of skills and experience can help you see things from different perspectives. A board that is diverse in terms of gender and ethnicity can help you attract a wider range of customers. In addition, your board should include members who are well versed in key areas such as global operations, mergers and acquisitions, strategic planning and innovation.

### **Starting your search**

- Develop a Board Position Description (BPD). Unlike a typical job description for a management position, the BPD includes a history of the company and bios of other directors in addition to a list of board functions and desired qualifications.
- Identify the gaps on your current board so you can find the right people to fill them. For example, if the average age of your board members is over 65, seek out younger candidates. If all of your current directors hail from the same vicinity, look for candidates from other areas of the country, or the world.
- Do you want to expand internationally? Increase innovation? Look for board members who have already achieved those goals. If they've "been there, done that," it's a good sign they'll be able to help see you through it.
- Expand your network beyond your circle of acquaintances and business contacts to identify as many solid prospects as possible. Social media sites like LinkedIn can be helpful here. This is also where a board search firm can add value.

- Don't give up! Typically, to find one person who is interested, qualified and a good fit, you will need to reach out in earnest to at least 20 people.

### **How to land a superstar**

- **Demonstrate that you're serious.** Don't send a midlevel manager to interview top-tier candidates. Interviews should be conducted by the chairman, the CEO or a lead family member, to signal that you are serious about recruiting a high-level board member.
- **Offer appropriate compensation.** Executives of this caliber don't serve on boards for the money. Even so, the compensation you offer must be fair and commensurate with the level of engagement you expect from your directors. Review your board compensation every few years to ensure it remains competitive.
- **Lay your cards on the table.** In addition to providing a complete Board Position Description, give candidates detailed information on financials, corporate strategy and current operations. The more they understand your company, the easier it will be for them to envision how they fit in.
- **Engage in multiple conversations.** To select the best possible candidate, you need more information than you can glean from just a single conversation over coffee. Introduce top prospects to other board members, key family members and senior managers. Give them a comprehensive tour of the company facilities.
- **Be transparent.** Be clear about the rewards and the challenges of serving on your board. That will demonstrate that you value honesty and will help ensure there will be no surprises.

The good news is that high-level candidates are out there. They have the expertise to help you achieve your mission, and they're interested in serving your board. Your task is to find them.

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