



Get Onboard: Private Company Boards

By Dr. Stacy Feiner

Published in Forbes Magazine 2018

Too often owners of closely-held businesses dismiss the suggestion of establishing a board of directors for their company. And in some cases where a board is in place, owners find it difficult to sustain real value from it over time. After all, business owners are private by nature, and protective of what they've accomplished — in some ways, instituting a board could feel like inviting a whole different set of parents in to make decisions about their business — their baby.

- *A stuffy board of retired executives won't understand the value we place on people and culture. It's more than just the numbers for us.*
- *It's too risky to let someone from the outside 'in' on all of our trade secrets.*
- *Ours is a specialized industry we operate in. I don't need to be told what to do by a board that doesn't know my business.*
- *If I disagree with the board, then what? Do I get fired?*

These are just some of the thoughts running through the minds of owners of closely-held companies and family businesses — and for good reason. Think about it: Our idea of a board has been modeled by what we see in the public business sector. Public company boards must comply with SEC regulations and adhere to a set of rules in order to achieve compliance. Those public boards are focused on shareholder value — their responsibilities mainly fall into the fiduciary realm, and there are specific regulations these boards must enforce to protect shareholder interest — their end game.

But boards of privately held companies can — and should — operate much differently. They are not regulated, nor must they focus only on financials. Private company boards are focused on advancing the company — on growing the company.



STACY FEINER, PsyD
Business Psychologist
216-315-3155
stacy@stacyfeiner.com
www.stacyfeiner.com

They should be protective of stakeholder interests. They should be creative, challenging and willing to ask the tough questions in a way that is designed to prompt rigorous discussion and new thinking. They should provide constructive feedback that promotes professional growth and pushes owners to up their games.

A private company board will champion the mission of the company and recognize the relevance of leadership development, continuity planning, accountability and succession planning. When conflicts arise, a board offers productive strategies for finding agreement so that the company grows from the experience. When lines are blurred, a board ensures that family issues do not trump business progress — and prevents impulsive decision making, isolation, mismanagement, overcapitalization and other potentially destructive behaviors that could harm the business, its employees, stakeholders and clients.

The problem has been that owners have grown up with the myth that if they have a board, it will be just like the public company model they know. It's time to shift the mindset and view boards from a new perspective. Because the reality is, a board will prevent private companies from making some of the mistakes that cause them to grow stagnant, sell when they want to perpetuate, hire the wrong people or allow interpersonal conflicts to stand in the way of progress. And most importantly, they help ensure that leaders don't get in their own way. If you think about it, what's risky is *not* having a board to protect your best interests.

So, how do you create a board that's focused on growth, thoughtful planning, advancement and strategic decision-making — a board that challenges you to improve your performance and protects you from getting stuck?

- **Model the executive team.** Who's on your executive team? Your board members can be representative of specific departments in your company: human resources, marketing, sales, finance and so on. With a board like this, their expertise will enhance the capabilities of your team members.
- **Fill seats with specialists.** You operate in an industry that requires a level of expertise, so consider inviting board members who are industry experts who will provide the specific knowledge you need to grow your business: strategist, business psychologist, PR expert, futurist, engineer, etc.
- **Focus on growth and development.** When forming a private company board, make your vision and goals clear. Is it expansion? Creating a succession plan? Be specific about how you want the board to contribute and be transparent by establishing a set of board rules that identify responsibilities and expectations. Also, ask the board how they will enhance your business, and what they expect you to do in return for their insight. Shape the board/executive team relationship into a true partnership? Make sure everyone is on the same page.
- **Listen, learn and execute.** It's not easy to press the pause button while you gather insight, look differently at challenges and reflect honestly on the impact of your leadership when your company is running full bore. But that's the purpose of a board, and in order to gain from their expertise, you must be willing to listen and execute. When a board brings their expertise and hard-won lessons to the table, you can gain tremendous knowledge and foresight for improving business operations.

Have you considered a board over the years, but dismissed the idea out of habit? Perhaps now you recognize the value a board brings and the risks it mitigates. Rethink the old board mentality and set the stage for a private company board that will infuse energy, drive and experience into your business. Don't be afraid to let those "outsiders" in. Private company boards mitigate second-guessing from your decision making and clear the way for forward movement — it will definitively up your game

ABOUT THE AUTHOR

"When you start a conversation with Stacy, prepare to be engaged."

Dr. Stacy Feiner is a business psychologist & coach. Stacy's distinctive coaching method brings psychology and the responsibilities of leadership to the forefront of business, so owners get the results they want faster. Her approach improves complex dynamics within owner-operated companies, family businesses, management teams, and boards. Stacy's latest book is *Talent Mindset: The Business Owner's Guide to Building Bench Strength*.