November 13, 2015 | San Antonio, TX
Family-Owned Company Boards
SPEAKER KEY TAKEWAYS

Family-owned businesses represent 33% of the Fortune 500, 40-60% of all publicly held companies, and roughly 60% of all privately held companies. Yet the majority of family-owned companies, more than 60%, do not survive to the second generation, and only 12% make it to the third.

*The Panelists for this program provided a few key takeaway comments below concerning governance perspectives in a family-owned company. Please consider sharing these comments along with the NACD Director Handbook Series Report**: The Board of Directors in a Family-Owned Business, with your Board.***

Moderator | Otis Baskin, Principal, The Family Business Consulting Group
Director, Goodwin Corp., Goodwin, Inc., Emrise Corp.

- Along with creating effective governance structures, such as a fiduciary board with independent members, for the family business, it is also highly beneficial to create effective governance structures, such as a *family council*, for the family.
- According to the FBCG family board study, those boards comprised of a majority of independent members report being *effective or highly effective*.
- Depending on the nature of the family business, the optimal size for Boards of Family Businesses is *5 to 9 members*, and *meet 4 to 5 times* per year.
- While *evaluation of board members* has proven to be of value, less than 10% of family businesses use a process for board evaluation.

Panelist | David Ladensohn, Director, Broadway National Bank

- On selecting board members: Aim High.
  Recruit board members you will really listen to. Who has experience and wisdom you respect? What key perspective is missing in management and ownership and who can best provide it. The only risk in asking the very best person is a polite refusal; they just might say, "Yes."

- Risk-Taking Peers, not professional advisors. You already get the best from your accountant, attorney and consultant. Your board members should be those who know first hand what a CEO has to contend with: risk; competition; and conflict.

- On board compensation: Pay Enough to Pay Attention.
  Compensation should be enough that the *company* feels it; that way, the owners and CEO will pay attention and management will know it is serious. $2500 per meeting may be material to one company and $7500 may be immaterial to another company.

- Conversely, compensation should not be so material to the director that s/he feels a vital need for it. Board members should be independent enough to risk getting fired for speaking the truth as they see it.

Panelist | Neal Leonard, Chief Executive Officer, Leonard Holdings, Company

"Noses in… fingers out!"

- One of the best terms I've heard used for Board governance is, **"noses in…fingers out."** A good board knows how to stay close enough to the business to provide oversight, direction, and accountability but micro managing at this level is a waste of time and resources.

- Having a good Board structure in place will slow decisions down but in a good way. It helps ensure better communication and due diligence.

- A Board will hold a CEO accountable while also protecting them from hidden agendas that aren't business related. This is especially important in a family owned business.

Additional NACD Texas TriCities Chapter program resources on these topics and others can be found at:

https://texastricities.nacdonline.org/Resources/meeting.cfm