

NACD Texas TriCities Chapter | Austin

In Conversation with Theo Killion -- Key Takeaways

September 21, 2017

Strategic Alignment: The board needs to be aligned with the company's strategy. The board should meet with the CEO and key management to discuss and decide on key strategic goals. Every Board member should be in alignment. The board can then give the CEO and management room to execute. The board should check in, assess and update as needed or at least once a year.

Business Lifecycle: Companies generally go through the following phases:

Entrepreneurial - There is a deep sense of passion for the business, risks are taken and sacrifices are being made regularly to propel a strong launch.

Explorer- The team has a concept and is proving it and exploring commercial viability.

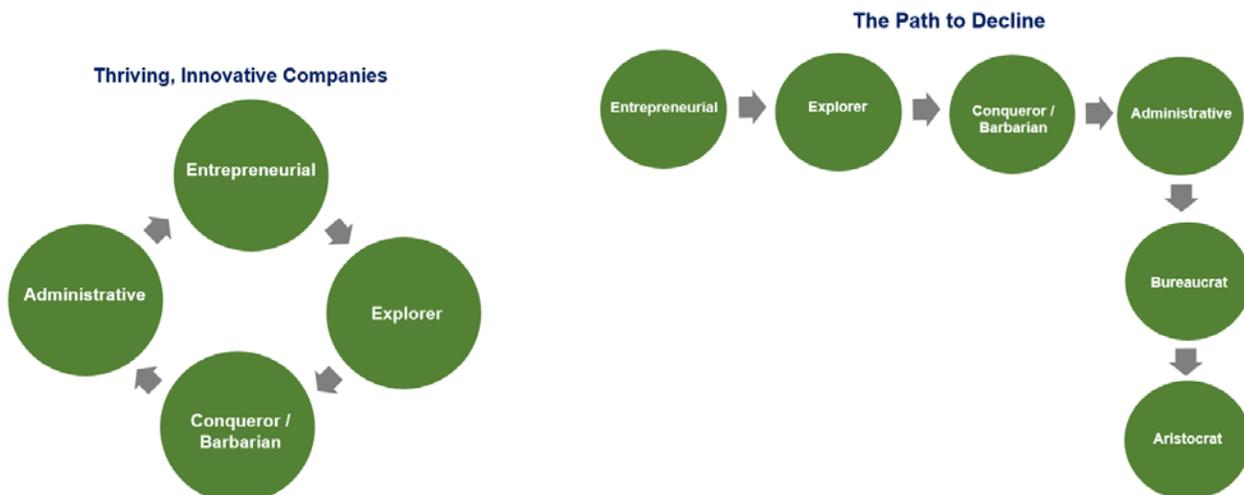
Conqueror/Barbarian – Direction has solidified and the wheels are turning; getting stuff done.

Administrative – Focusing on infrastructure and processes as well as governance. internal controls and other safeguards.

Bureaucrat – Protecting the wins of the past but holding back charging to the future.

Aristocrat – Business is in decline; no new growth or innovation.

To maintain success and growth, companies should continually cycle through Entrepreneurial to Administrative. Avoid slipping into the Bureaucrat phase. Staying in the first four stages will enable innovation and keeping up with, or ahead of, the market, with the right amount of controls and processes in place to avoid undue risk.



Board Composition: CEO's should seek out directors who will tell them the truth, particularly when it is difficult. Directors who just tell the CEO what they want to hear are not adding value. Directors also must collectively have the relevant experience the company needs, including industry, product/services and innovation, finance, etc.

Assessments and Changes (if needed): Annually or as needed, look at the board composition and functions. Make changes if needed. For public companies, look at the issues that hedge funds or activists would look to change or influence and proactively address those issues (such as use of cash) and how the company is managing them in the proxy statement or annual report.