

# THE BOARD OF DIRECTORS A VALUE ACCELERATOR FOR YOUR COMPANY



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May 1, 2018



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# WHY HAVE A BOARD?

- Accelerate growth & value
- Create accountability
- Experience & resources
- Sounding board
- Coach & advisor
- Risk mgt. – avoid big mistakes
- Credibility - investors, lenders, vendors, customers



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# ARGUMENT AGAINST A BOARD

- I'm doing OK
- Board takes a lot of time
- I have to educating these people
  - I already know my company
- A board is expensive
- Board will not grow my revenues or profits next quarter

# WHAT IS THE BOARD'S JOB & ROLE?

- Governance of corporation
- Hire and fire the CEO
- Compliance with laws & regulations
- Approve strategy, policies & procedures
- Monitor performance
- Manage risks
- Approve material transactions
- Review & approve financial plans & reports
- Board does NOT manage the company!



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# BOARD DUTIES

- Act in good faith
- Loyalty to the company
  - interests of company & shareholders above personal interests
- Candor – truthfulness
- Diligence & Care
- Fiduciary for shareholders
- Business Judgement
  - reasonable business decisions

# WHO SHOULD BE ON THE BOARD?

- CEO
- Investor representation
- Member(s) independent of mgt. and investors
- Essential expertise for the company
  - industry, technology, market, etc.
- Financial expertise
- Diversity of experience and viewpoint
- Don't include your golf buddy!



# HOW THE BOARD DOES ITS WORK

- Board Chair – independent or CEO
- Committee Chair
  - best if independent
- Committees:
  - Audit, Compensation, etc.
- Board & Committee Meetings
- CEO prepares board agenda
- **Cooperation - works towards consensus**



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# GET THE MOST FROM YOUR BOARD

- Make Board into High Value Asset
  - great board members
  - different perspectives & points of view
  - members who will commit the time
- Educate the board about the business
- Be open about plans and issues
- Allow independent review
  - audit, risk, strategy
- **Listen & understand**



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# WHAT CAN GO WRONG?

- Conflict over role of CEO or board
- Board does not do homework
- Absence of honest feedback to the CEO
- Board member advocacy for their own interests
- CEO conceals material information
- Poor supervision of finances or compliance & something blows up
- Absence of collaboration and trust



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# EXPECTATIONS & LIABILITIES FOR BOARD MEMBERS

## EXPECTATIONS

- Learn the company & its business
- Real time commitment
- Confidentiality
- Ask tough questions – be constructive

## LIABILITIES

- Some personal liabilities
  - shareholder suits
  - non-compliance with government regs



# BOTTOM LINE

1. Board of Directors can be BIG VALUE ACCELERATOR
2. Board Governs - does not Manage
3. CEO and Board must collaborate
4. Candor & honesty
5. Coaching & advising
6. Interests of all shareholders  
& company above personal interests
7. Balance of independence & consensus



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