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3 ways a board drives private company success

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How private companies can get the most from their boards.



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Your board of directors should be a powerful strategic asset, yet too many private companies fail to fully understand or realize the potential value of their board. To help frame how to make your board more effective, let's focus on three key areas:

- Governance and controls
- Technology, innovation and disruption
- Talent and culture

Getting governance right

When it comes to governance, private company boards have far more latitude than their public counterparts, which must comply with the stringent requirements of the Sarbanes-Oxley Act of 2002 (SOX). The good news is that private companies can, therefore, tailor their governance approach more closely to their specific industry and culture. The bad news? At too many private companies, that wider latitude translates into an overly lax or ineffective controls environment. Having at least one board member with a strong accounting and controls background can be a key asset in this effort.

Regulatory compliance is another key governance concern. In its 2018-2019 Private Company Governance Survey, the National Association of Corporate Directors (NACD) reported that 41.5 percent of private companies surveyed consider dealing with changes in the regulatory climate as one of the trends that will most impact their businesses in the next 12 months.

The more heavily regulated your industry, the bigger the challenge.

Your board should be ensuring that you have an effective and efficient regulatory compliance approach in place. Having a board member who is familiar with your regulatory environment and with leading edge practices for addressing it can be a real strength. In the end, governance isn't just a matter of compliance, it's a matter of ethics. Ethics starts with the right culture, and that starts with the tone at the top. From helping to frame a clear code

of conduct to serving as impeccable models of the company's culture, tone at the top starts with your board

Guiding the future ready enterprise

NACD's 2018-2019 survey also found that business model disruption, cybersecurity threats and technology disruption are top concerns for 42 percent, 37 percent and 35 percent of respondents, respectively. For private companies, finding board members who can deliver meaningful digital guidance can be a challenge, especially if you are not in a tech-centric industry. Where to start? Executives at technology companies are one option, but leaders at companies in similar industries who have effectively lead efforts to merge the promise of technology with the operational realities of their business can be an even better fit. Effectively managing the agenda for board meetings is a key element to getting the right level of strategic support.

Too often, even at public companies, seemingly pressing short-term issues can eat up much of the board's time, leaving little to devote to strategic issues. The right level and focus of communication between board members and your CEO and other business leaders is also a key concern. By exploring possible disruptive threats and pushing your company to respond proactively, your board can help transform the threat of disruption into an opportunity. Just as offense is often the best defense, being the disruptor is often the best strategy in today's digital environment. But threats remain. Cybersecurity and data privacy are major ones. Boards need to help push companies to look beyond just cyber defense and toward cyber resiliency. The sheer volume and continuing evolution of cyberattacks means that every company is almost guaranteed to face a breach. Companies need to devote as much effort on how such events will be contained and mitigated as they do on how they can be prevented. The pace of strategic change today's digital environment demands only heightens the importance of a broadly experienced board. Having a committed and experienced group of business leaders who understand your operations, constraints, competitors and strategy and who are constantly watching for emerging possibilities gives your leadership team a powerful asset to draw on. That understanding.

Winning the war for talent

It all takes talent. In NACD's 2018-2019 survey, private companies identified key talent deficits as the trend most likely to affect them in the coming year. Private companies often can't match the total compensation packages of larger public competitors, especially in critical areas like technology and innovation. What's more, what workers value is undergoing a generational shift, with millennials focusing on flexibility and work-life balance, not just money. While the idea of culture is certainly harder to define than issues like regulatory compliance, technology or even innovation, getting it right has never been more important to the enterprise. Which means your board needs to understand what's working when it comes to culture and talent and help push your company to incorporate those changes into your policies and practices. A board member with an HR background or that has held a leadership position with a company that has shown truly innovative solutions to the talent problem could provide a vital competitive edge.



Other board basics

Hiring and evaluating your CEO is another critical board function. Your board should provide a broad network and strong insights to help with that—both in the case of a planned transition and in the event of an unplanned change. They should also have the experience to evaluate major corporate initiatives like potential mergers or acquisitions, divestitures, or overseas expansions.

Source:

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