

TOP TAKEAWAYS

Private Company Corporate Governance Best Practices

1. Outside directors add value to the boardroom through different perspectives.

Outside directors can add value by bringing to the boardroom different perspectives based on their diverse experiences, subject matter and industry expertise, and networks.

2. Directors may need to take on multiple roles.

In addition to general board oversight responsibilities, private company directors may need to take on additional roles and responsibilities from time to time. These may include, among others, mentoring a less experienced chief executive officer; focusing attention on important issues that otherwise may be ignored or given insufficient priority, such as succession planning; and assisting in resolving disputes among various constituencies within the company. Effective board leadership is critical in determining whether, when and how each director takes on additional roles and responsibilities.

3. Directors can help drive company growth.

Working with senior management, directors can help the company grow and drive the business to the next level. Directors are often key in facilitating a common growth strategy within the company, as well as in bringing to the table the right third parties, such as financing sources and other advisors, to facilitate company growth.

4. Effective board communications are key.

Effective communication between and among directors and senior management is key to success. Communications need to occur before, during and between board meetings. The manner, subject matter and frequency of communications will vary from board to board and time to time.

5. Directors need to understand company culture, including any “sacred cows.”

It is important for an outside director to understand as early as possible in his or her tenure as a director the company’s culture, including “sacred cows.” Difficulties can be avoided or at least mitigated if this information is communicated upfront by those “in the know.”

6. Getting board “chemistry” right is critical.

Getting board “chemistry” right is critical to a company’s success. The board should not act as a rubber stamp. But a fractious board can be at least as bad. Fostering a board environment in which board members can actively and constructively engage and even challenge company management to help further company objectives is critical to success.

7. **Creating the right board environment facilitates board recruitment.**

Developing and maintaining a growth-focused, open board environment will help facilitate recruiting top-quality board candidates.

8. **Recruiting effective outside directors requires homework to be done beforehand.**

To recruit outside board members, a company should create a skill set map outlining the board skills needed or desired and the ones which may be presently lacking. By identifying the gaps, directors can seek outside directors with the necessary skills to fill the gaps. It is important to do due diligence on a prospective board candidate beyond looking at his or her references. This includes looking at the candidate's prior impact on previous boards on which he or she served.

9. **Preparation in advance of board meetings avoids wasting director time.**

Written reports should be distributed to directors well in advance of the board meeting. It is a waste of everyone's time for directors to read through the reports for the first time at the board meeting or to spend too much time listening to reports at the board meeting that can be effectively communicated in writing. This enables the board to devote its time at meetings to more strategic issues.

10. **Fostering and maintain an effective board is a continual job.**

Fostering and maintaining an effective board is an ongoing and necessary task for good corporate governance. It is never a one-time job and there's never a "one size fits all" approach to developing an effective private company board.

For more information

For more information on Private Company Corporate Governance Best Practices, please feel free to contact the moderators directly:

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