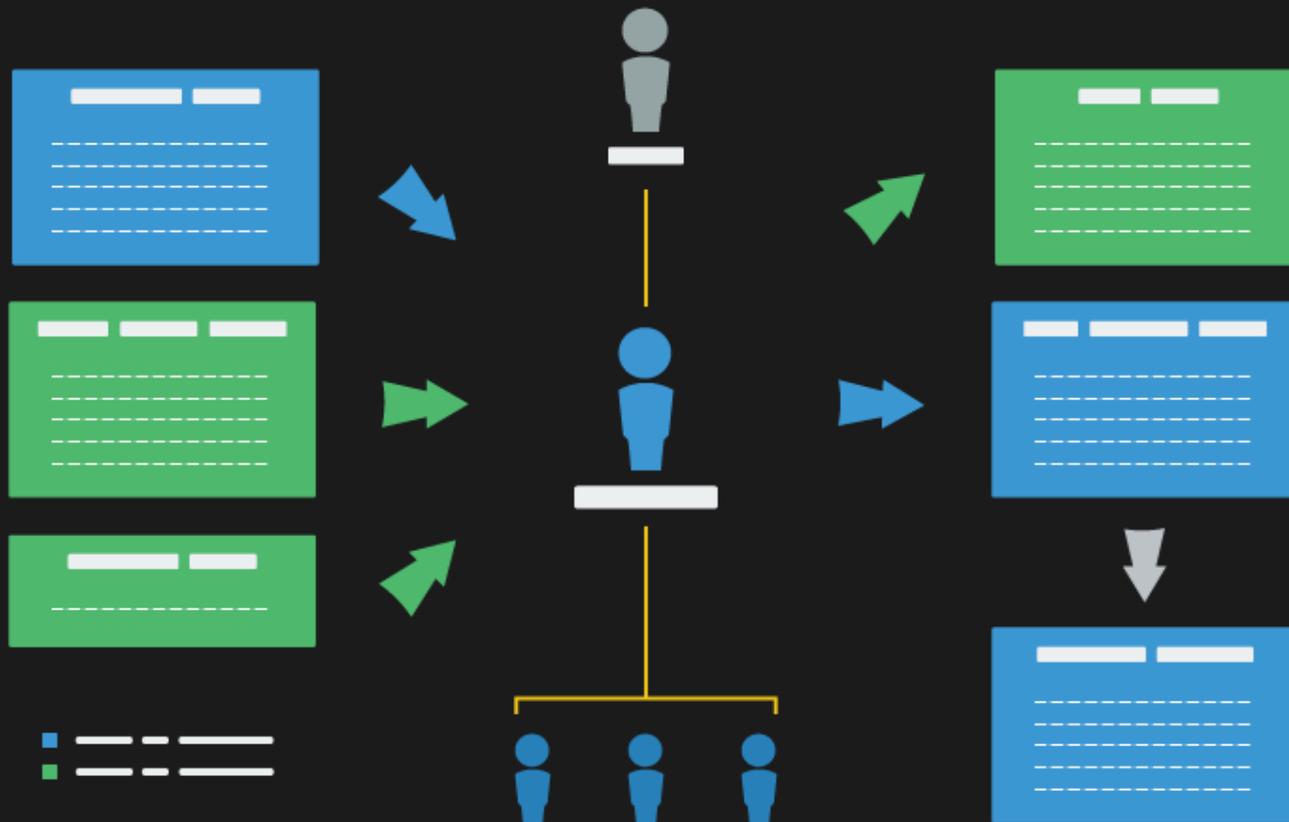


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Leadership Support Structure

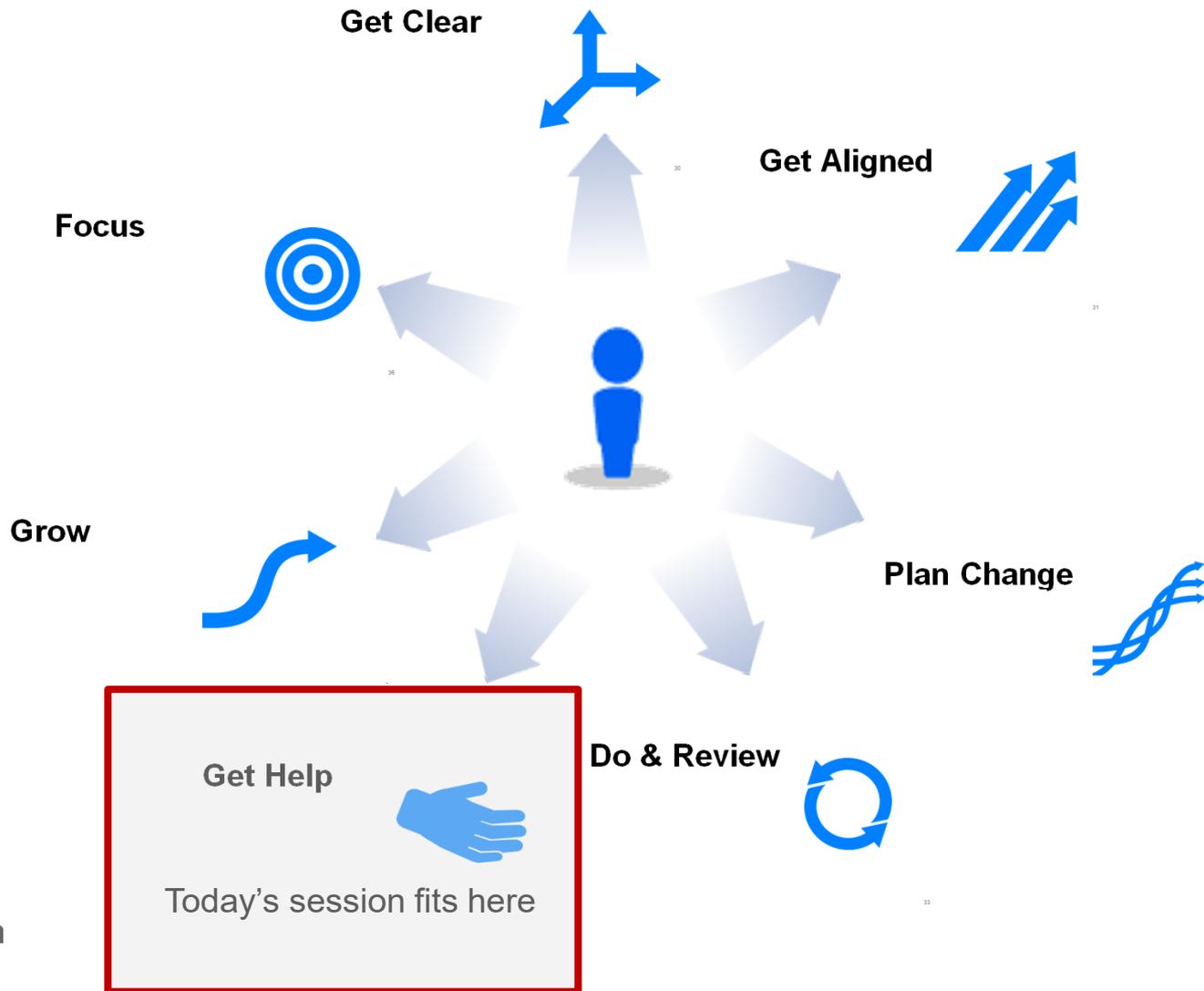


How CEOs can use
Accountability Boards and
Subject Matter Experts to help
and support their organization
to perform and grow.

Peter F. DiGiammarino

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Long-term performance and growth comes with continuous and balanced development of actions in accord with seven truths.



Truth. No leader succeeds alone.

Action.

Get Help

Build a board. Retain experts. Get a coach.



Background Reading



Click bulleted links to
access advance
materials

- Read ahead:
 - PEI Post on how board members and CEOs can work together
 - Post on how early stage ventures should think about their Boards
 - “Never do as I say” post
- Answer the question at this survey to share what is on your mind about boards.
- Additional reading:
 - Background on how PE deals work
 - How to run an annual leadership team planning offsite

Think of a specific high-stakes situation that called for action when you were in the role of leader:

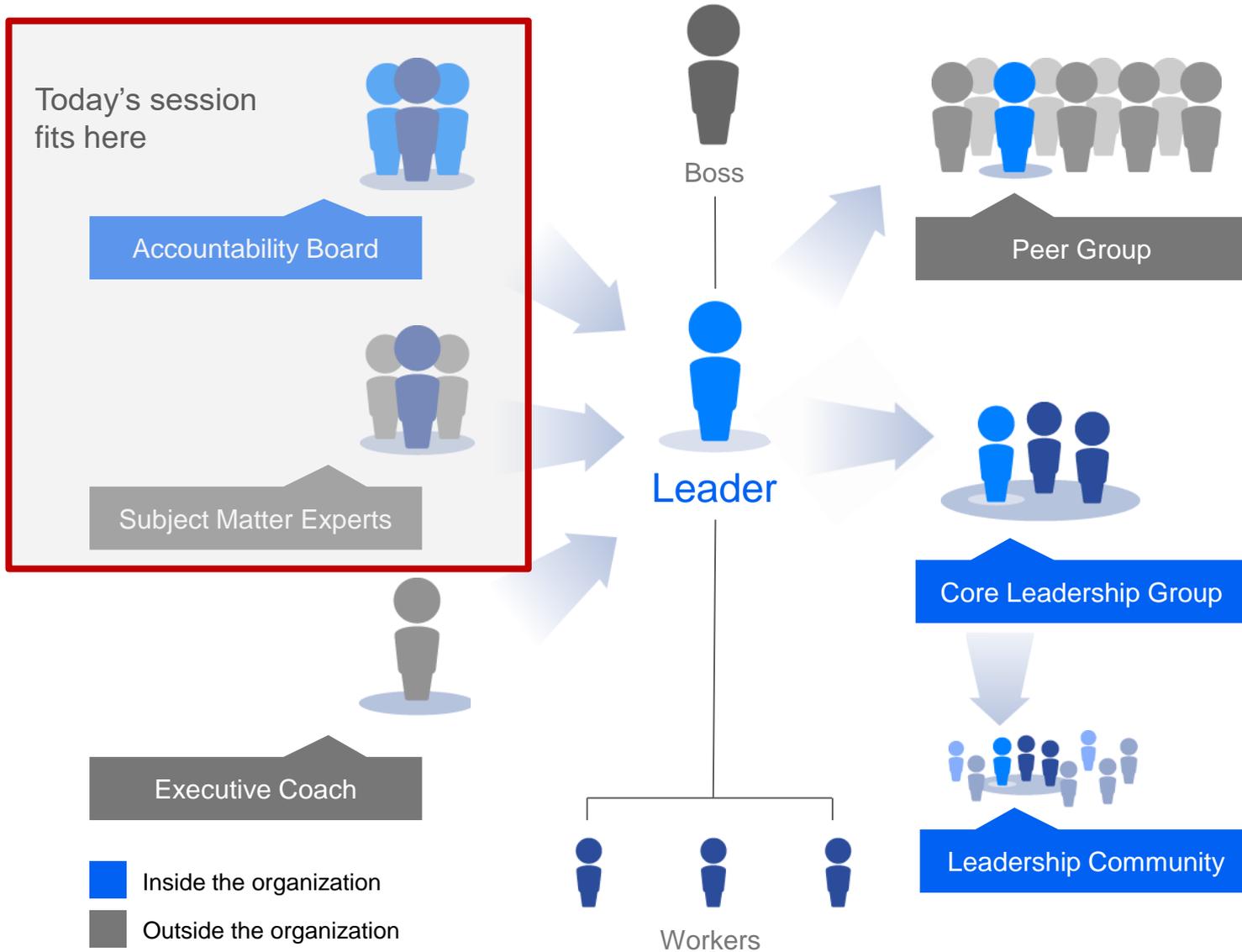
Summarize the case and what action you took.

What could you have done to get a better result?

How can you set up a system to provide the above answer before taking action instead of after?



Leadership Support for Success





Leadership Support Accountability Board



Accountability Board

Mindset: Chairman/Parent/Spouse

Qualifications:

- Experienced general manager
- Expert in something important to the business
- Able to distance from self-interests
- Has the time, energy, and drive to participate

Provides:

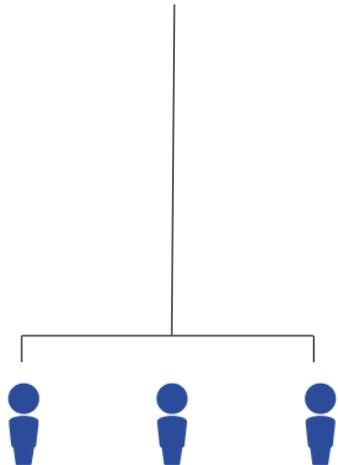
- Consistent point of accountability
- Helps with individual and collective focus and goals
- Access to resources (time, money, clients, partners, methods, knowledge, recruits, etc.)



Boss



Leader



Workers

Responsibilities:

- Hire and fire the CEO
- Approve financial plan
- Meet at least quarterly for 3-hours
- Minutes and actions logged in Board-book

What can go wrong:

- CEO adopts a one-down mind-set, tries to please the board, and takes direction (vs. input)
- Member(s) fail to prepare, develop point of view, participate
- Preparation runs up to meeting start
- Meeting is all “show and tell/sell” with no time to reflect and discuss important topics
- CEO fails to facilitate open discussion, debate, and pushback
- Members fail to push back in favor of congeniality

Agenda:

- What you are you trying to do
- What you have done to do it
- What happened
- What you have learned
- What you plan to do next

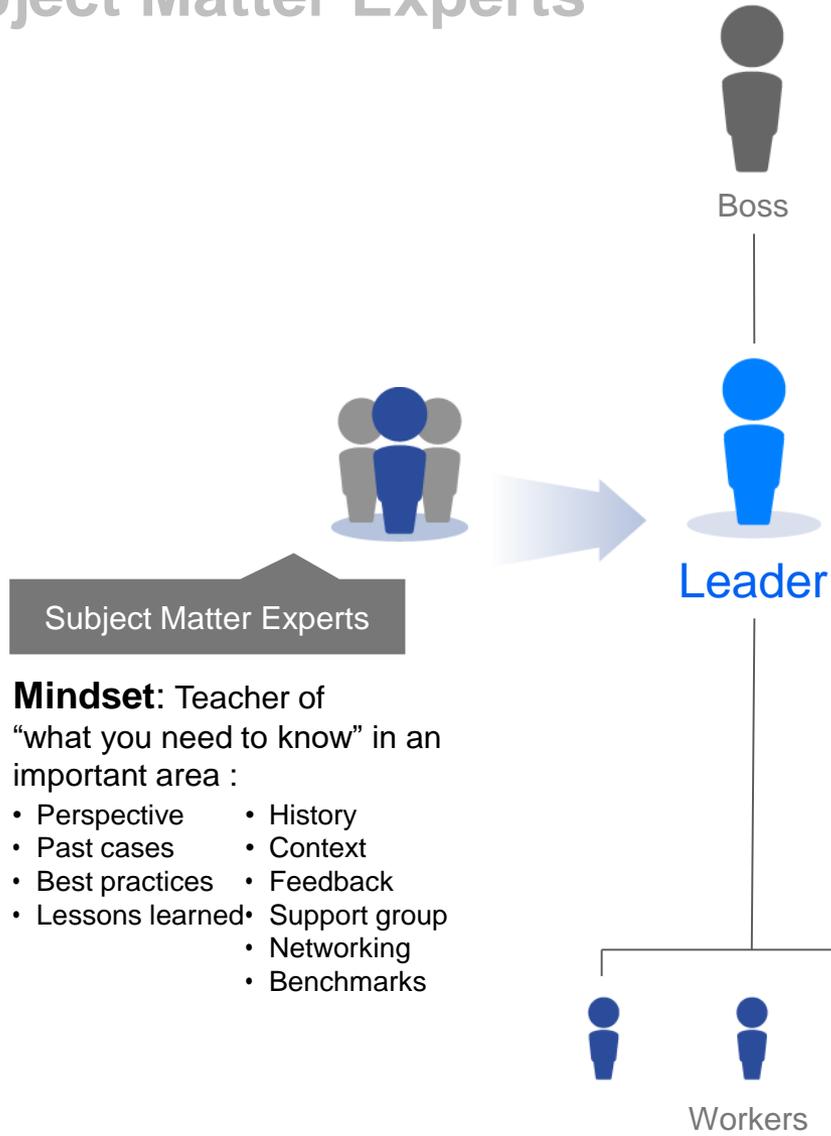
Members:

- Prepare, Develop a Point of View, Show Up, Pay Attention, Participate don't dominate
- Ask challenging questions to push up thinking
- Give best advice and counsel
- Create a safe environment for open discussion



Leadership Support

Subject Matter Experts



Subject Matter Experts

- Mindset:** Teacher of “what you need to know” in an important area :
- Perspective
 - Past cases
 - Best practices
 - Lessons learned
 - History
 - Context
 - Feedback
 - Support group
 - Networking
 - Benchmarks

Operations:

- Consult individually as needed to draw on expertise
- Meet as a group once or twice a year to work on cross-cutting matters
- Makes no decisions, take no actions as a board
- Invite Accountability Board members to also serve as advisors

What can go wrong:

- Subject Matter Experts treated as Accountability Board Members and lose context
- Fail to meet or member(s) don't show-up
- Members fail to prepare, develop point of view, participate
- Preparation runs up to meeting
- Meeting is all “show and tell/sell” with no time to reflect and discuss important topics



Board of Directors vs Accountability Board vs Advisory Board

- See sample board charter vs. advisor charter
- Corporate bylaws frame how many, and who must be, on the Board of Directors
 - Members have legal responsibilities and bear real risk (and so require Directors & Officers Insurance)
 - Compensated with meeting fees and/or equity
- Corporate Board **can** serve as the Accountability Board; often assumed to be but failing.
- Board of Advisors **can** be an Accountability Board; often isn't but thinks it is.
- **Professional money** (i.e., Lender, Angel, Venture Capital, Private Equity) often **comes with governance** via board members and observers.
- A high-functioning Accountability Board **increases the odds of getting professional money** and of maintaining pre-money mode of operation vs having to conform to preferences of those who provide funding.
- To maintain control and keep costs down (e.g., legal, insurance) yet get the benefits, some private companies set up their Accountability Board as a Board of Advisors instead of Board of Directors.



Accountability Board Management

Best Practices

- CEOs job is to manage organization resources to maximum effect; the board is a resource...use it!
 - **Know what is wanted from each member**; ask each for it; give feedback
 - Ask the board and each member what they can do to help...then invite him/her to do it.
 - At least annually survey/discuss to **assess how the board and each member is performing**, what has gone well and what can be done to improve; act accordingly
- Maintain a rolling-year schedule at locations convenient to the company.
- Manage each meeting to accomplish what is needed; see sample board meeting artifacts; send out two days ahead of meeting.
- End each meeting with executive session to cover sensitive matters; invite outside directors to meet alone to discuss how things are going with the CEO and his/her team.
- Treat members with utmost respect but do not overdo deference
 - Stay in touch with each between meetings, in the way that works for him/her and you, to solicit input and to keep him/her apprised so as not to be blindsided, behind the curve, or cut out.
 - Let each know what is needed from him/her between, and in, each meeting.



Accountability Board Membership

Best Practices

- Have ad hoc meetings/calls when needed to get out in front of emerging issues/opportunities but don't make more of an issue than needed.
- Keep the number of members as small as practicable to be more manageable.
- Invite management team and others to attend, with a bias towards inclusion, to the benefit of both attendees and members; model how direct reports should behave.
- Manage the space between Board and Management; otherwise the Board it will either ignore or manage the CEO based on swings from *apathy* to *fear* and *greed*.
- Build board thoughtfully as it is hard to unwind membership; use term/age limits and varying responsibilities to drive changes.
- Where to find members:
 - Personal network
 - Retained search
 - IntelliVen Executive Sessions (a.k.a.: Accountability **Board-in-a-Box** or Instant Accountability Board)



Accountability Board

Use committees to address specific needs

- Required Standing Committees:
 - Audit
 - Compensation
- Common Standing Committees:
 - Executive: Sets agenda for the full board
 - Governance/Nominating/Membership Committee: sets target board profile, assess current board, drives to achieve target profile and performance
 - Finance: for organizations with complex financial structure that not all board members need to be equally concerned with
 - Ethics/Compliance
- Ad Hoc committees address specific matters that come up and sunset upon completion
- Role of chair:
 - Poll members to set agenda and to assess company, CEO, and board performance
 - Let members know ahead what each needs to expect and to do in upcoming meeting
 - Facilitate meetings; e.g., keep things moving and on track per schedule allowing to go off schedule when needed
 - Identify and head off problems between members
 - Drive board development

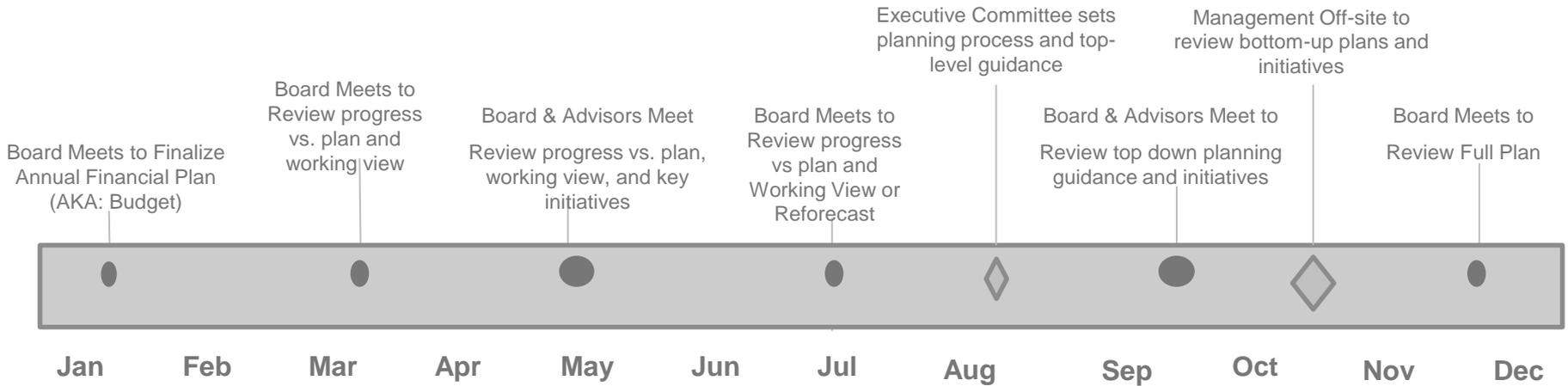


Accountability Board

Summary

Board of Directors		
Members	Frequency	Responsibilities
<p>Internal Members Chairman/CEO Secretary</p> <p>External Members PE/VC Senior Advisor PE/VC Managing Director Experienced successful exec</p> <p>Inside Observers CTO COO CFO Function/Unit Leader(s) Specialists</p> <p>Outside Observers Lender PE/VC/Lender Analyst(s)</p>	<p>Every three months and as needed</p>	<ul style="list-style-type: none"> • Hires/Fires the CEO • Reviews and approves annual financial plan, option program, compensation program, and incentive program • Provides a consistent point of accountability for performance against plan and goals • Approves performance goals, compensation, C-level incentives • Reviews performance annually and guides the development of the CEO • Reviews and provides guidance with respect to what the organization and its top execs are doing individually and collectively, how it is going, what they are learning, and what they will do next • Provides guidance with respect to individual and collective executive focus • Reviews resources (people, clients, time, training, connections, money, etc.) needed to achieve plans and takes steps to help the organization meet its needs • Gets clear about what is most important, and ensures attention and resources are allocated accordingly • Reviews the organization's strategy and key initiatives to be sure they make sense and that they are in synch with what the organization is doing and learning • Provides advice and counsel in communications and affairs relating to lenders and financiers

Sample Annual Planning and Governance Cycle

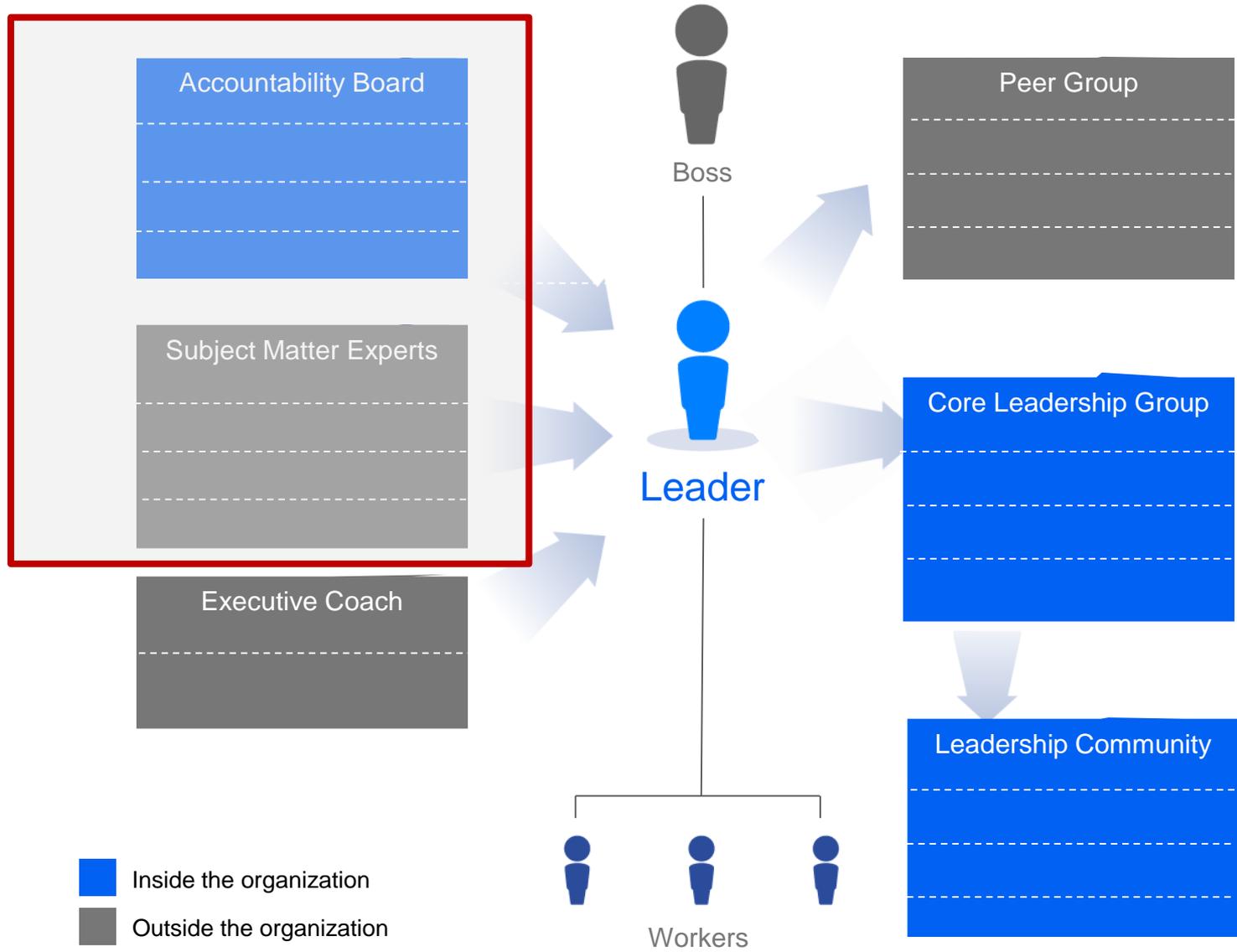


Arrange an operating framework of outside support from an Accountability Board and Subject Matter Experts.

Share content from this presentation with your governing bodies.



Fill out your leadership support structure.



-  Inside the organization
-  Outside the organization

Wrap-up

- Share an example of how your thinking has evolved from today's session.
- What did you notice when working with others on today's topic?
- Would you like to be on a board?

Thank you.

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