

What is the real value of having a Board of Directors, and of being a Director on one?

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Portions of this presentation were drawn from articles and the book written by Dennis Cagan

DIRECTOR RECRUITING

What you won't find in a director search matrix

My own top five list of the most needed — yet least identified — qualities for an outstanding board director.

BY DENNIS CAGAN

It is now the norm for boards to compile a matrix of the key mix of skills and qualifications needed in directors to best guide the company going forward. A matrix highlights those attributes that are already represented by current direc-

of traits that can be critical to a board's success but are never actually listed in any matrix.

A simple yet effective tool

Whether it is formally written, which is advisable, or just a verbal discussion, a matrix of able board director skills, experience, and qualifications is a simple yet effective tool identifying which boxes you already have checked and which are best targeted in a new director. I have participated in several board discussions which have all arrived at the same conclusion — that many a company's greatest success can be traced to a dysfunctional board. Board discussions have also consistently come to the conclusion that a frequent cause of board dysfunction is personality conflicts between directors. Today's complex, fast-moving global business environment requires an optimized performance board in order to maximize the success of any enterprise. Yet in spite of the

CEO, board director, high-technology executive co-founded over a dozen different companies. He resides in Carrollton, Texas, and is currently on forming boards. In 2013 he was honored by the Dallas Business Journal as one of 12



The Director as MENTOR of the CEO

It's a little known role of a board. How do you do it?

WWW.DIRECTORSANDBOARDS.COM

Most everyone who has worked in or around a corporation knows what a board of directors is, or do they? A company's core business strategy, its culture, its morale compass, and its selection of company leadership emanates from the board. It is responsible for representing the owners' interests. It is responsible for creating value for the shareholders. Directors are selected for their experience, skills, connections and good judgment. It is considered prestigious and an honor to serve on a board. What value does it really bring to the company, and what can it bring to one's career?

Copies of presentation and articles available on request.



Do you really know what a board is?

- Two basic boards: Advisory vs fiduciary
- Three basic entities: Non-profit, for-profit corporate – public and private
- Board characteristics vary by company size, stage and objectives
- Our target: for-profit corporate fiduciary boards for mid-cap companies

Why is a board important?

- Most meaningful companies are corporations.
- All corporations are governed by bylaws, and require a board.
- Companies are owned by shareholders/unit holders, but are overseen by the board – which may range from one sole owner up to a dozen+ directors.
- What's the real value of a best-of-class independent fiduciary board of directors?

What does a fiduciary board do?

”A board’s fiduciary responsibility is to represent the collective ownership of an enterprise in overseeing the corporation’s business activities – internally and externally, and ensuring that these activities adhere to the highest standards of good business practices and the governing laws, and build value and further the business objectives of the owners.”

– Dennis Cagan



The board is the heart of the corporation.

A company's core business strategy, its culture, its morale compass, and its selection of leadership emanates from the board.

What does a best-of-class board look like?

- What any board wants and needs will vary widely
- Diversity is the new normal
- What are the skills and experience that would most benefit your company – and which of those are in shortest supply within your firm?
- Cagan's Big 5: courage, candor, humor, inquisitiveness, collaboration
- Checking multiple boxes
- Boards should always be upgrading members and increasing independence

What are the key characteristics of the best Board members?

- What are the most important considerations in recruiting and seating the best board directors?
- How to set up a matrix to map needs and diversity?
- What are the key objectives/benefits from diversity in board members - the most important characteristics to have on your board?
- What are the key dimensions of diversity that add value?
 - Professional skills
 - Industry or domain expertise
 - Race and gender
 - Demographic
 - Geographic
- How do needs vary by company size or stage?
- What actually goes on in the boardroom and how and why it works?

Why would you want to join a board?

- A board directorship is both the result and recognition of success and good judgment, and a platform to use those attributes to further benefit oneself and others.
- Board membership is a business ‘*merit badge*’ that increases in significance over time and scale.
- A board seat can result in a valuable business education far beyond what you learn in school or on-the-job – consider it an *MBA+*.

What does a board say about you?

- What does a board say about your career, nature, and capabilities, and what does it signal to others.
- Your experience and skills are highly regarded by those inviting you to join a board – they want your advice.
- Your judgment is respected.
- You are considered loyal and ethical.
- You have an altruistic nature, and are open to learning as well as educating.

How to approach YOUR quest.

- Educate yourself - learn about boards.
- Have a plan - map the most likely route to your objective, e.g. non-profit, small private company (start-up, family business), small public one, etc.
- Write a ‘Board Bio’ – if a board were looking for YOU how would they describe the key attributes they need?
- Network – talk to colleagues, superiors, mentors, frequent the right places, join the right organizations.

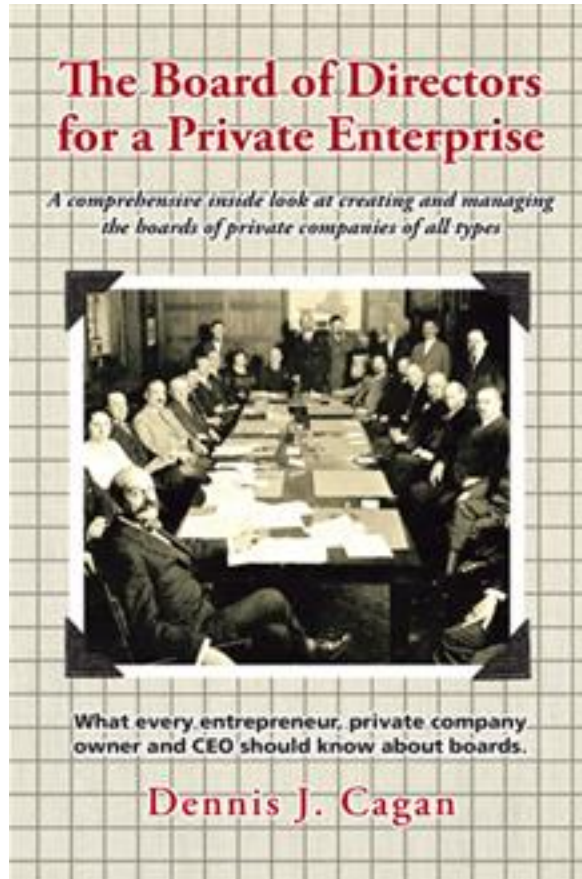
Getting the word out.

- Who to tell: colleagues, current Directors, higher-level colleagues or superiors, *executive search*, hang out with folks above your own pay grade.
- ‘Board Bio’: objective, key strengths/ accomplishments, background. Not a CV, resume or bio.
- Organizations: IECG, NACD, Boardroom Group, womenintheboardroom.com, theboardconnection.org, Director’s Group, industry groups.

Secrets of Being on a Board

- It can be hard to get on a board, or not.
- It can be fun, or not.
- It can work, or not.
- It can pay well, or not.
- It can take a lot of time, or not.
- You can meet some fantastic people, or not.
- It can involve significant personal risk and liability, or not.
- A frequent requirement for getting on a board is being on a board.
- It can be a great learning experience – if your employer allows it.

THE BOOK ON PRIVATE COMPANY BOARDS



“Mr. Cagan’s book is an amazing piece of work. He sets a new standard for a real-world advisory guide on boards of directors: why have one, and how to recruit for, form, run, and get value from a board. He has done himself proud. This book reflects his vast body of experience coupled with superb writing talent, resulting in a guidebook that will be helpful to management and board members of not only the smaller and privately owned company but of established public companies as well.”

- *James Kristie, Retired Editor &
Associate Publisher of Directors&Boards
Magazine*

Available now on Amazon, iBooks, Barnes & Noble
And bit.ly/caganboardbook

Exclusive ROI offer from Dennis Cagan

In appreciation for your time and the opportunity to add value to your company I am offering the following to the first six listeners to send me an email at dennis@caganco.com.

- A copy of the Directors & Boards article *What (qualities) you won't find in a director search matrix*.
- A free thirty minute telephone consulting session about a board for your company or your own interest in joining a board.

DIRECTOR RECRUITING

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It is now the norm for boards to compile a matrix of the key mix of skills and qualifications needed in directors to best guide the company going forward. A matrix highlights those attributes that are already represented by current directors and those that are desirable in prospective board candidates. Typically the named categories include job skills like CEO or financial expertise, and specific industry domain experience. These will often be overlaid with some additional unique skills and diversity goals. Sometimes a matrix will even contain broad character traits like 'cultural compatibility' or 'leadership.' However, there are a number

of traits that can be critical to a board's success but are never actually listed in any matrix.

A simple yet effective tool Whether it is formally written, which is advisable, or just a verbal discussion, a matrix of desirable board director skills, experience, and other qualifications is a simple yet effective tool in identifying which boxes you already have checked and which are best targeted in a new director. I have participated in several board symposiums which have all arrived at the same conclusion — that many a company's greatest failures can be traced to a dysfunctional board. These discussions have also consistently come to the conclusion that a frequent cause of board dysfunction is personality conflicts between directors. Today's complex, fast-moving global business environment requires an optimized high-performance board in order to maximize the success of any enterprise. Yet in spite of the



Dennis Cagan is a seasoned chairman, CEO, board director, high-technology executive and entrepreneur, having founded or co-founded over a dozen different companies. He has served on 53 corporate boards, both private and public, predominantly early and mid-stage technology companies. He resides in Carrollton, Texas, and is currently serving on several boards and consults on forming boards. In 2013 he was honored by the National Association of Corporate Directors and the *Dallas Business Journal* as one of 12 Outstanding Directors in North Texas.



WILL YOU BE READY?

*Thank you,
Dennis J. Cagan*

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