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## Association News

# IVCA Members Schooled on Building High Impact Boards

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This event was part of IVCA's Toolkit series; programs that are intended to provide immediate value to investors at VC/PE firms. The High Impact Board program certainly did that for any investor currently serving on a portfolio board by providing insight on what very seasoned board members have learned from the well-performing board v. a poorly performing board.

Sponsored by **Kelley Drye & Warren, LLP**, the event had the tone of a roundtable discussion and covered a broad array of topics that surround the attributes and focus of a well functioning, high impact board. Harry and Rick were remarkably in agreement on virtually every discussion point – which one might expect with two highly accomplished and experienced board members.

Moderator Thom Ferguson of **Kelley Drye & Warren LLP** introduced the first topic and the conversation was off to the races with audience members inquiring about various aspects of board responsibilities.

Discussion included:

### **CEO Chairman v. Non-executive Chairman or Lead Board Member**

Both Kraemer & Crandall agree that the Board must be able to function effectively with the CEO and that someone on the Board must have a closer understanding of the issues of management. This role can be either the non-executive chairman or a lead director.

### **Board composition pre & post IPO**

A robust board that addresses all of the needs of the public company should be established 12-15 months pre-IPO so that the board can hit the ground running post IPO. Developing a matrix that describes all of the necessary skill-sets required will make the process of recruiting board members more transparent.

### **Board assessment v. Board Member Assessment**

At least annually the board should individually reflect on how they are performing as a group. Is the atmosphere appropriately challenging? Are people prepared for meetings and do they participate fully? Do meetings have the proper balance of

current and strategic issues? If not, the lead or chairman needs to develop an action plan to move the board in the appropriate direction.

### **Compensation and the impact of compensation consultants**

Developing the appropriate level of compensation for C-Suite employees is a key board issue for both public and private boards. Finding appropriate comps and placing executives in the appropriate decile remains a difficult issue but "not everyone can be above average" reminds Harry Kraemer, math major.

### **Finding and attracting high impact board members to private company boards**

Of course this is best done as a networking function and, with a clear skillsets matrix, more easily done.

### **CEO Succession Planning**

Rick felt very strongly that this is the single most important task for board members and that the CEO should be aware and involved in the effort. At all times, the board should have an eye toward possible internal & external candidates lest the proverbial bus take out the CEO for either the short or long term.

### **Long-term v. Short-term planning**

When the discussion moved to allocation of effort between short and near term strategy both panelists agreed that VC/PE backed companies probably spend considerably more time than public companies developing a long-term value creation plan. Part of this is forced onto the public companies by the preparation required for quarterly analyst calls that require an explanation of the last quarter and expectations for the next quarter. Since VC/PE firms are looking for a 3-5X return on their money, they must be sure that they create that prospective value by growing the top and bottom line results.

#### Harry Kraemer

- Executive Partner, Madison Dearborn Partners
- former Chairman & CEO of Baxter International
- Board of Directors of:
  - Science Applications International Corporation
  - Sirona Dental Systems GmbH
  - VWR International, Inc.

#### Rick Crandall

- Founder
  - Comshare, Inc.
  - Arbor Partners
- Board of Directors of:
  - Diebold Inc. (NYSE – DBD)
  - Novell, Inc. Chairman; (Nasdaq – NOVL)
  - Claymore Dividend and Income Fund (NYSE-DCS),
  - Pelstar LLC – (Chicago, IL) Chairman; leading brand manufacturer (Health o meter) of medical equipment.
  - ChannelNet –(Sausalito, CA) multi-channel e-commerce software

Moderated by [Thom Ferguson](#), **Kelley Drye & Warren LLP**