



## Outsiders add value to boards

Copyright©2006 by Dean Fowler Associates, Inc. All Rights Reserved.

Dean R. Fowler, Ph.. D.  
Peg Masterson Edquist  
17100 W. North Ave. #202  
Brookfield, WI 53005  
262-789-7367

By their nature, family-owned businesses are ruled and governed by members of the same family, yet should the family have complete control over the company?

One owner of a local manufacturing firm, which has had an outside board of directors for 30 years, says outside boards are a necessity. "It's not only wise to have an outside board from a corporate governance standpoint," he notes, "but it's also wise as a practical matter to seek the professional guidance of others, so you don't get trapped in 'tunnel vision' when guiding your company."

Nationally, fewer than 10 percent of family businesses have outside (non-family, nonmanagement) board members. Yet, outside boards are extremely effective in providing expertise for the management issues faced by family-owned businesses.

Because they face unique issues, family businesses should consider three governance vehicles:

- A family council to provide a place for family members, both active and nonactive, to keep informed about the business and to resolve issues rooted in family dynamics.
- An outside advisory board to draw upon the expertise and experience of other business owners and presidents on topics related to strategy, business operations and management.
- A legal board of directors to govern the company, made up of persons representing different ownership interests as well as outside business leaders.

Many times your legal board can function as your advisory board as well, but make sure you understand the dynamics of the relationship.

First, the CEO/president needs to make a personal commitment to accept the advice and be accountable to the board. Second, outside boards are most successful when the membership is made up of experienced and qualified board members. Third, expectations need to be clearly stated so board members understand their roles and responsibilities. Fourth, the length of service should be clearly stated and staggered terms should be defined so new members may join the board on a regular basis.

*DEAN FOWLER and PEG MASTERSON EDQUIST are authors of "Love, Power & Money: Family Business Between Generations." For more information, go to [www.deanfowler.com](http://www.deanfowler.com)*

**Copyright©2006 by Dean Fowler Associates, Inc. All Rights Reserved.**

Dean R. Fowler, Ph.. D.  
Peg Masterson Edquist  
17100 W. North Ave. #202  
Brookfield, WI 53005  
262-789-7367