Visionary boards consider how they make decisions

As the competitive and social environment changes, many private market companies are thinking about how to enhance oversight for more effective decision-making. These companies are looking for more than just oversight and risk protection; they are also looking for great ideas, new approaches, and valuable capabilities. In this edition of Privately Speaking, we explore how some private market companies are bringing a complete approach to board-level decision-making to become more visionary.

In today’s rapidly changing and highly-competitive market, privately held companies need a visionary board of directors—individuals with diverse points of view; people who see both opportunity and risk, and can come together to help the executive team make effective decisions. This includes the board’s own ability to stay informed and be decisive.

Do privately held companies need a thoughtfully-considered board, including independent directors? Not necessarily, but the reality is that there is no substitute for an engaged and visionary board of directors. For privately-held companies in particular, the board is an essential source of perspectives, ideas, and experiences that should complement the capabilities of your executive team. More than just another level of control or oversight, your board of directors should play an integral role in shaping strategy.

What is the quality of your board’s decision-making?

— Is undue preference given to information that confirms a desired result, while information that counters the desired result is discredited?
— Are decisions overly influenced by initial, anchoring information?
— Is there pressure towards ‘groupthink’?
— Is overconfidence in a strategy or an individual leading to blind spots?
— Are we too invested in the status quo—or too risk averse—to quickly recognize and act upon necessary change?

If you worry that the answer to any of these questions may be “yes,” you may want to consider upping your board’s game.

In today’s environment, having a board with vision can be the difference between success and stagnation. Private market leaders need to be thinking seriously about their board composition and asking themselves whether they have the right people with the right capabilities and vision to drive their company to the next level.

— Brian Hughes, National Leader, Private Markets Group and Venture Capital, KPMG LLP
Board of Directors (BOD) are changing

While complete data on private company boards is scant, it is worth considering the board composition of some of the world’s largest public companies. The following data outlines changes in the board composition of the S&P500 (as reported by Spencer Stuart¹, a consultancy).

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Data</th>
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</thead>
<tbody>
<tr>
<td>Average board size</td>
<td>10.8</td>
</tr>
<tr>
<td>Proportion of independent directors</td>
<td>85%</td>
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<tr>
<td>Average age of directors</td>
<td>63.1</td>
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<tr>
<td>Of new directors are women or minorities</td>
<td>50%</td>
</tr>
<tr>
<td>Of new directors are serving on their first public board¹</td>
<td>45%</td>
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Ten tips for creating a more visionary board

Based on Decision-making in the visionary boardroom, a report by WomenCorporateDirectors and sponsored by KPMG LLP, here are ten tips for helping visionary boards sharpen their decision-making skills:

1. Develop an awareness of your innate influences such as cognitive biases and mental shortcuts
2. Set high expectations for management to develop and improve the company data strategy
3. Take a clean-sheet approach to the materials provided to the board
4. Consider the fundamentals on which the board needs to remain educated
5. Create an agenda that allows sufficient time for forward-looking discussion
6. Probe management processes when significant proposals are presented
7. Commit to a process of continuous assessment and improvement
8. Examine past decisions and evaluate the results and decision-making process
9. Stay on top of new developments and leading practices in board evaluation and review
10. Communicate the board’s commitment to quality decision making

Get your copy of Decision-making in the visionary boardroom

Building on the 2016 report Seeing Far and Seeing Wide: Moving towards a Visionary Board, and the 2017 report The Visionary Board at Work: Developing a Culture of Leadership, this new report from the WCD offers recommendations and practical suggestions to encourage decision-making in the visionary boardroom.

Download the report here

"Given the critical role that boards play in helping guide their companies in today’s challenging environment, visionary boards must use every tool available to them to help their companies develop and update sound strategies that will enable them to win in the marketplace over the long term."

–Susan Angele,
Senior Adviser, KPMG Board Leadership Center and Chair, WCD 2018 Thought Leadership Commission

¹Spencer Stuart U.S. Board Index 2017, SpencerStuart, 2017
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