

# Does your business have a Board?

By Fordham

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## Or does it need one?

Do you understand how formal corporate governance could assist you and your business? A Board can help to provide a structured approach to managing your business. It can provide you – as the owner – with an opportunity to objectively discuss strategic plans and goals, outside the day to day mechanics of actually running the business.

In private companies there can be a lack of distinction between owners and managers, as they tend to work closely together within the business. This can sometimes result in an informal approach to governance, with no official decision making forums in existence – decisions can be made reactively, with no considered strategic approach. A Board allows for a more proactive approach to decision making within a business.

## WHAT DOES A BOARD DO?

Your Board should consider matters of strategic significance:

- What size and shape will the business be in a few years' time?
- Do we have the right employees to get us there?
- Are we optimising our efficiency?
- Is our business plan dynamic?
- Are we measuring our goals?

A Board also ensures accountability within your management team. Its role is to keep operational management – the Managing Director (MD) – accountable to the vision, which includes providing appropriate resourcing to your MD to actually achieve the vision.



## WHEN SHOULD YOU CONSIDER ESTABLISHING A BOARD FOR YOUR BUSINESS?

Sit down and honestly ask yourself the following important questions:

- Are you immersed in the day to day operation of your business?
- Do you spend most of your time absorbed in managing the business and its daily operations?
- Do you have difficulty finding time to make decisions?
- Do you have difficulty separating higher level business decisions from daily operations?

All of this noise leaves no time for higher level thinking or strategic planning! You need to make time to consider the following crucial business strategies:

- **Sale of business** Are you thinking of selling your business? Is it in the best "saleable" condition?

- **Family business relationships** Is your business a family business? Are family dynamics becoming an issue?
- **Succession planning** Is there a risk your business is unable to run without a key person? As a private business owner you may have limited resources or simply cannot afford independent Directors.
- **Expansion and growth** If your business is experiencing change, you need to communicate this change effectively to your organisation.
- **Operational performance** Is your business performing as it should? You may not be aware of (or have easy access to) industry benchmarking tools, which can provide valuable assistance when making business decisions.
- **Fraud and risk management** Are your controls strong? Are you meeting these? Is the bank worried about you?
- **Bank debt covenant requirements**

## WHAT WOULD A BOARD LOOK LIKE FOR YOUR BUSINESS?

You can determine how and when you would like your Board to convene. Meetings can be held monthly, quarterly or biannually. The format of meetings should be adapted to suit your own individual business model.

## HOW CAN FORDHAM HELP?

Directors are responsible for helping to manage a company ... but they need not be shareholders of the company.

Appointing an independent Director can provide a fresh perspective within your business. They are usually well received by all stakeholders – including banks, suppliers, customers and employees. In addition, engaging an independent Director gives the business the opportunity to fill important knowledge and skill set gaps.

Specialising in business advisory services, Fordham has access to a wide range of resources which can add value to your business. We have been instrumental in establishing numerous business advisory councils and Boards to assist with corporate governance matters and can represent your organisation as a Board Advisor or Director. Appointing a Fordham representative can also help to mitigate risk within a family group.

If we can assist with your business or the management of your company, then please contact your [Fordham Partner](#).

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