



Board audits and development: the next lever of value creation

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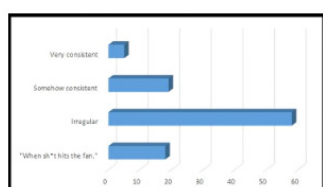
There are no upcoming events at this time.

Guest post by Dr Sabine Dembkowski, [Better Boards](#)

Operating Partners thrive on challenges and are turning many screws to generate value for their firms. We know from many conversations behind closed doors that operating partners always wonder if there is a trick they missed and are hence eager to attend events, share insights and network to identify the next great lever of value creation. This drive and desire brought a record number of European operating partners together at the recent [PEI Operating Partners Forum Europe](#) in London.

We wanted to know what the state of play is when it comes to a specific lever – board audits and development programmes. A poll that kicked off the panel 'Board audits and board development: the next lever of value creation' provided some insight into a lever that at this stage is widely underused. The question to the 150 strong operating partner conference audience was:

How consistent would you describe your approach to board audits/development as?



These results reveal that indeed this lever of value creation is at this stage underused.

How to best 'sell' a board development process to a CEO/chairman

In the break at the event, there were lively conversations about the reasons for this. The key reason stated in private conversations was, first and foremost, how such a measure can be 'sold' to the chairmen and CEOs of the portfolio companies. Would it not indicate that there is a certain doubt that they can do the job?

On top of this, some operating partners freely admitted that each time such a measure was initiated there were real problems and at times the results were used to provide further evidence for difficult decisions. Thus, they feel that by now such measures have a 'certain reputation' i.e. one which is not helpful.

Board audits can provide members of executive and governing boards with great insight and feedback which allows them to strengthen their positioning, increase their performance, secure their bonus and help them to develop their career on their current and any future board. It is all about how it is communicated and positioned.

How to best carry out a board audit/development

The second thought was how this can best be done. Some had recent experiences with headhunting firms that they described as 'sobering'. They would like to have a system that provides real data and less interpretation, a genuine evidence-based approach and can potentially be administered by themselves without taking up to much senior executive time.

Training is available and with new technology and platforms systems can be put in place that can avoid expensive consultancy fees. Over time, each firm can build up data that provide insights into what good really looks like and systematic training programmes can be put in place.

The third thought was that this 'soft stuff' is somehow difficult. It is not part of their traditional training and it is hard to find evidence and measure the value. It is far easier to do so with a cost-cutting project. Well, here operating partners and investment managers may have to, for a while a least, step out of their comfort zone, stretch and learn.

It can be done!

A banker and investor neatly summarised a recent presentation by saying this is 'the chairman's toolkit'. With insight and how members of boards perform with regards to the levers that are proven to make a board more effective they will be in a far better position to orchestrate the board and on the top it will be a lot more fun.

During the panel discussion, [Miles Graham](#), a seasoned private equity professional and CEO, noted that at the first event five years ago everyone was wondering if operating partners had a future in private equity and looked around the audience. Today we know that this is the case. He predicted that a consistent approach to conducting regular board audits and subsequent board development programmes will in a few years time be part of the standard practice of leading firms in private equity.

Those that embark on the journey early on can reap benefits. We are certain that establishing a systematic process will support any fund raising efforts and may even be a crucial differentiator for ambitious firm management to choose you over another private equity firm.

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