



CRESSET®

Board of Directors Best Practices Guide

How to Form a Board of Directors
and Run Effective Meetings

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Introduction

I have had the privilege of serving on various boards of directors throughout my career, and I am compelled to share the invaluable insights that I have garnered from this experience. These lessons have fundamentally shaped my perspective on effective governance and the immense value that a well-functioning board can add to an organization.

During my journey as a board member, I have witnessed the impact that a diverse group of individuals can make through partnership and strategic guidance. The strength of a board is not derived from its individual members, but from the collaboration and culture that emerges when these talents are harnessed.

Board meetings serve as a platform for transforming individual knowledge and expertise into collective action. I have seen how the dynamics of these gatherings can drive decision-making, unite organizational vision, and foster a sense of ownership among members. However, it is important to recognize that effective board meetings are not just a matter of scheduling; they require thoughtful preparation, a well-defined agenda, constructive tension (finding the balance between being supportive and challenging) and a commitment to timely follow-through. It is in these meetings that the true potential of a board comes to fruition, translating discussions into actionable strategies that propel the organization forward.

Every board meeting offers the opportunity to exchange ideas, share best practices, and shape the future of an organization. I share these learnings to help leaders optimize their boards and to encourage all board members to approach their roles with a strong sense of commitment and purpose.

Best regards,



Eric Becker
Cresset Founder and Co-Chairman

Establishing and maintaining an effective board of directors is a crucial task for any organization, as the board plays a key role in providing governance, strategic guidance, and oversight.

To get started, consider the overarching needs of your organization and identify individuals with the specific skillset, experience, and resources required to address executive leadership's short- and long-term goals and challenges. The following exercise will help you determine who would bring the most value to your board.

Once you have identified your needs and have developed a short list of potential board members, be sure to conduct thorough due diligence. Review their professional background, work history, accomplishments, reputation, and any potential conflicts of interest. Check references and speak with individuals who have worked closely with the candidates to gain insights into their skills, work ethic, and character. Remember to evaluate the level of commitment and availability of potential board members to ensure they have the time and willingness to actively participate in board meetings, committees, and other responsibilities.

Sub-committees and smaller specialized groups within your board of directors should be formed to help address specific functions. These subcommittees may include external experts or stakeholders who can contribute valuable insights and guidance. Specific subcommittees will depend on the needs, priorities, and structure of the organization, but may include an audit committee to provide oversight of financial reporting and internal control processes, and/or a compensation committee to determine executive leadership's compensation, including salaries, bonuses, and incentives.

“ These subcommittees may include external experts or stakeholders who can contribute valuable insights and guidance. ”

Selecting a board of directors is an ongoing process. As your organization evolves, it is important to periodically reassess and adjust the composition of your board to maintain its effectiveness and relevance.

**“ The purpose
of a board is to
harness its power
and transform
the future of an
organization. ”**



Step 1: Forming a Board of Directors

- Develop Functional Skill Matrix based on organizational needs
 - Functional Skills: Industry Expertise, Strategic Planning, Sales, Marketing, Human Capital Management, Operations, Accounting & Finance, M&A, Technology*
- Map directors to Functional Skills
- Matrix and identify gaps to fill
- Board is fully staffed with one or more outside members
- Directors have been through an on-boarding process
- CEO emergency succession plan in place
- Twelve months of board meetings scheduled on a rolling basis
- Audit chair is independent
- Audit committee charter in place
- Audit committee annual wheel/tasks in place
- Annual in-person pre-audit and post-audit meeting with external auditor
- Compensation committee charter in place
- Compensation committee annual wheel/tasks in place
- Compensation committee meetings on same day as (or day before) board meetings
- CEO/CFO approval matrix in place








Sample Board Annual Calendar (Wheel)

Month	Financial	Strategy	Department	Human Capital	Audit
January	Review of Q4	Annual Review	Recruiting	Compensation Plan	
February					
March	Business Model Review		Sales	Executive Reviews	
April					
May	Review of Q1		Technology		Audit Review
June					
July	Review of Q2		Operations	Human Capital Review	
August					
September		Strategy Offsite Build a Company Killer			
October		Draft Budget			
November	Review of Q3		Marketing		
December		Final Budget			

Step 2: Preparing for a Board Meeting

- Annual board wheel/task list in place, including:
 - Budget review
 - Strategy review
 - CEO team assessment
 - Board review of CEO
 - Board self-assessment
 - Annual investment bank visit/presentation
 - Annual visit from key customers
- Audit committee meetings on same day as (or day before) board meetings
- Bonus approval checklist in use
- Chair/lead director has discussed key issues w/ CEO and each director in advance
- Board book with RYG coding (Red, Yellow, Green key indicator/KPI cover page) distributed at least five days in advance of meeting to each director
- Directors to send any appropriate questions to executive team in advance

Red / Yellow / Green Company Assessment

Rating / Trend	Key Area / Metric	Action Items to Improve Rating (or Sustain Green)	Party Responsible	Due Date
	Overall			
	Financial Performance			
	Operations			
	Human Capital			
	Financing			
	Strategy			
	Information Technology			

Step 3: Running an Effective Board Meeting

- Board dinner hosted night before board meeting
- Meeting fully attended
- Open meeting with CEO speaking and only board members in attendance
- Other members of management team join for RYG discussion
- Agenda includes update from audit and compensation committees
- Scribe and notetaker in attendance for timekeeping and taking down action items
- Action items tracked and distributed
- Next meeting confirmed on a rolling twelfth month basis and add new meeting 12 months out
- End of meeting: executive session held without CEO (including meeting quality review)
- Chairperson/lead director provide feedback to CEO





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