

Privately Speaking

**Insights on private company growth
from private company advisors**

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Working towards a more effective board

Is your private company board as effective as it could be? For private companies owned or controlled by outside investors, including venture capital and private equity funds, as well as family-offices, our recent survey of corporate directors indicates that these boards still have significant room to raise their game and deliver even greater value.

In this edition of Privately Speaking, we explore the results of this survey and identify four key areas where private company boards should be focusing in the year ahead.

Close the gaps

Private companies have different needs and expectations for their boards, depending on size, stage, and ownership interest. But they all should focus on ensuring that their boards of directors and company leaders are working in harmony to drive value.



There is no secret formula for board effectiveness and improvement, particularly for boards of privately-held companies with different ownership structures and in different stages of maturity. However, this survey indicates there are a number of areas where value-driven portfolio boards could be working harder to improve their own performance.

—Conor Moore,

National Private Markets Group
Leader, KPMG LLP



Get the inside view

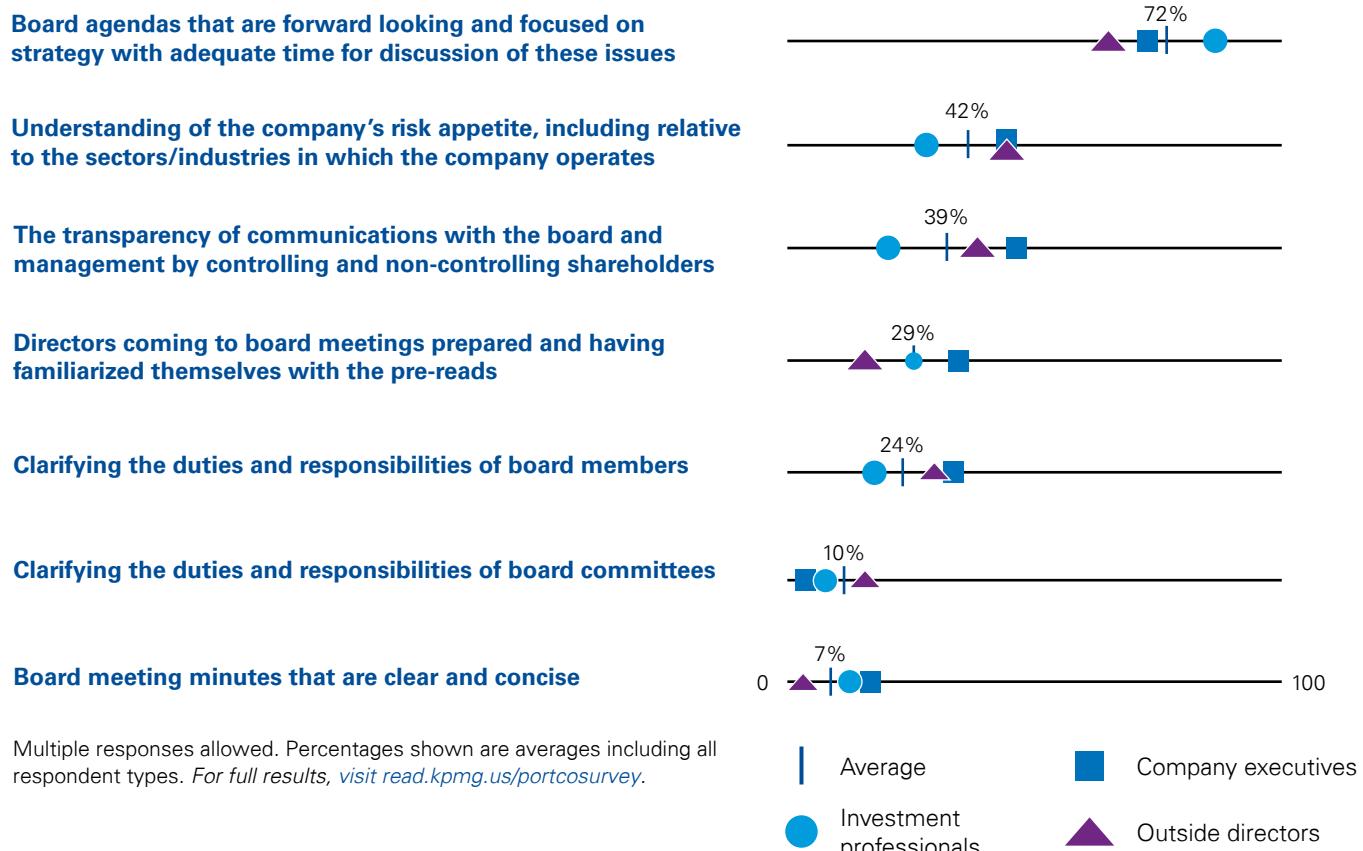
Closing the gaps in portfolio company board effectiveness is based on a recent survey by the KPMG Board Leadership Center.

To better understand the challenges facing portfolio company boards today—what works, what doesn't, and opportunities for improvement—we surveyed more than 250 portfolio company directors who fall into three categories: portfolio company executives, investment professionals, and outside directors. We asked the directors to supplement their survey responses with write-in comments to expand on their views.

[Download the full survey report](#) to find out exactly what they said.



Figure 1: In which of the following areas do portfolio company boards need the most improvement?



“An effective portfolio company board is critical to helping investors assess their portfolio companies’ strategy and operations, as well as monitor the progress of their investments. For management, understanding the expectations of these investors is critical to building boards that deliver value.

—Ari Weinberg,
Director, Board Leadership Center, KPMG LLP



Based on our survey of portfolio company board directors, there are four primary gaps that boards should focus on in order to improve their overall effectiveness.



Focus on... Agenda setting

Challenge: Given the complexity of the business and risk environment, it comes as no surprise that a critical challenge for portfolio company boards is to devote adequate agenda time to strategy, risk, and long-term value creation.

Fact: 72% of directors surveyed said that building forward-looking board agendas was one of the areas needing the most improvement—more than for any other category.

What they are saying: "Alignment of controlling shareholders, company management, and independent directors on strategic direction and value creation is critical, and a continuing challenge."



Focus on... Communication

Challenge: While most view the board-management relationship as generally good, many say portfolio company shareholders need to be more transparent in their communications with the board and management.

Fact: Survey respondents generally gave their boards lower relative ratings for having "clear guidelines for communication between directors and management between board meetings".

What they are saying: "Management needs to be transparent and provide important information on a timely basis. Delayed reporting of a problem limits the board's ability to proactively respond."



Focus on... Board composition

Challenge: Linking board composition with company strategy, both for the short term and the long term, can be difficult when there are competing interests in building a board.

Fact: Portfolio company executives give their boards significantly lower scores on "aligning board composition with the company's future needs" than investment professionals and outside directors.

What they are saying: "Often, sector expertise weighs in heavy at the beginning (of an investment) but over time that perspective can lack strategic insight and can be very difficult to change."



Focus on... Independent leadership

Challenge: Independent board leadership is viewed by many governance experts as critical to board effectiveness for both public and private companies.

Fact: 74% of outside directors and 52% of company executives see the role of lead independent director/non-executive chair as "highly important," compared to only 40% of investment professionals.

What they are saying: "Passive representatives of shareholders are dangerous to the survival of a company. Most investors only have a couple of 'A Team' board members whom they carefully deploy."

Want to learn more?

The KPMG Board Leadership Center (BLC) champions outstanding governance to help drive long-term corporate value and enhance investor confidence. Through an array of programs and perspectives—including the KPMG Audit Committee Institute, the WomenCorporateDirectors Foundation, and more—the BLC engages with directors and business leaders to help articulate their challenges and promote continuous improvement of public-and private-company governance. Drawing on insights from KPMG professionals and governance experts worldwide, the Center delivers practical thought leadership—on risk and strategy, talent and technology, globalization and compliance, financial reporting and audit quality, and more—all through a board lens. To learn more, visit boardleadership.kpmg.us.

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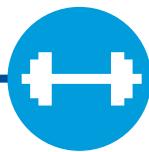
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KPMG's Private Markets Group understands what it takes to drive private company growth. In each edition of ***Privately Speaking***, we share our insights—along with practical and actionable tips—to help boards, executives, and management grow, strengthen, and transition their privately held businesses.

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