

How to Use a Board for Your Company

By Dennis Monroe

After decades of representing companies in the restaurant and franchise world, I've come to the conclusion the majority of the successful companies have effective boards. They can be formal, legal boards or advisory boards, but when used correctly, they become an integral part of the strategy and growth of the company.

As we begin 2023, it is a good time to consider forming a board for your company, and if you already have one, reevaluating that board. Who you choose to be on your board is key: You want people with specific skill sets and people who will challenge you, not be a rubber stamp. Restaurant owners often are reluctant to have a board because they don't want to give up power, but there are some protections, and in most cases a member of the board can be removed by the controlling shareholders or members if necessary. The goal is to get the right expertise, provide board members with detailed quality information and then listen to their advice.

If you're a franchisor, seek people experienced in growing a franchise company. You'll want individuals who understand the profile of the franchisees you're trying to attract, and who understand the attributes and strengths of the franchise system. For a non-franchise restaurant company, board members should have specific restaurant knowledge and experience on both a unit basis and the overall marketplace.

Here are seven key points on the composition of a working board:

- 1) First, evaluate what your company needs.** Assess your internal talent strength, and then determine the gaps. What have you done in terms of a strategic plan? What impact do you need for this plan? A board member who understands strategic planning can help get you there.
- 2) Look for someone who can offer operational support,** and who understands operations in order to provide your team with best practices and new thinking.
- 3) Someone who understands marketing** and can

help with the concept's positioning, store marketing and networking is also invaluable.

4) A strong financial person is a must. They don't need to be an accountant; they can also be industry financiers who understand key unit economics for your concept and business. But they should have a strong network of people who can help fund the company. The most important skill is experience in financing other successful restaurant companies.

5) Add an individual with skills in development and growth, expertise in real estate, construction or multi-unit development. He or she will know the kinds of relationships needed and will help cultivate those relationships.

6) Often overlooked is the value in a board member versed in people matters (human resources). They can help advise on recruitment, compensation planning and overall HR issues. And, equally important is helping you establish the right company culture.

7) Leadership and management skills should be high on your list. The most highly sought-after board member for restaurant companies are CEOs or former CEOs. Look for someone who has run a successful restaurant company. This experience is invaluable and can provide tremendous help to management.

You won't fill all of the roles I have discussed, and one board member may have multi-roles, but these seven do represent the skill sets to start with.

If you're not a public company, decide which style of board will benefit your business more, a legal board or an advisory board. From a liability standpoint, most board members prefer to be on an advisory board. The key for ownership is to take the board seriously.

As to payment, the pay is all over the board, so to speak. If it's a public company, board pay is market price, but for a private company it is normally \$1,000 to \$2,000 per board meeting. Some boards provide stock

appreciation rights or stock options. The important thing is to compensate for experience and network.

Keep in mind as you're recruiting, there are other details to hammer out as well, such as term limits, committee structures, CEO participation and succession planning.

No board can be effective if not provided timely and detailed information so they can be prepared. And if a board member is not prepared, don't hesitate to

quickly remove them. You want talent, but you also want someone who puts in time and effort, especially on a paid board. And, since you're paying for their expertise, use it.

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