# The Non-Operational Questions Every Board Should Be Asking

Governance, succession and preparation for the unexpected

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Board meetings naturally gravitate toward operating results: revenue, margins, staffing and the next quarter's forecast. Those discussions matter. But some of the most consequential questions concern the people, ownership arrangements and decision-making authority on which the business depends.

Who leads if the founder cannot? What happens when shareholders want different things? Is the next generation prepared for leadership, ownership - or both? Would existing agreements work when tested by an unexpected event?

These questions can remain comfortably unresolved while the business performs well. A thoughtful board makes time for them before circumstances demand answers. For privately held and family-owned businesses, the following ten questions provide a useful starting point.

## 1. Who can make decisions if the founder cannot?

An unexpected absence can expose uncertainty about who has authority to lead, communicate with lenders, access essential information or approve important commitments. A business may have capable people and still depend on one individual to make almost every consequential decision.

Directors should ask management and counsel to confirm that emergency arrangements are documented, understood and practical. Naming a successor accomplishes little if that person lacks the authority, information or relationships to act.

*The board's question: If the founder were unavailable tomorrow, which important decisions would become difficult to make?*

## 2. Are leadership succession and ownership succession being treated separately?

The right person to own shares may not be the right person to run the business. A capable executive may have no ownership interest, while a family shareholder may prefer economic participation without an operating role.

A thoughtful board helps distinguish leadership capability, ownership rights and family expectations. These discussions should inform one another without making inheritance the default qualification for management or treating an executive appointment as a promise of ownership.

*The board's question: Who should lead, who should own and how will those roles work together?*

## 3. Is the next generation being prepared - or merely promised a role?

Succession requires more than identifying a name. Potential leaders need meaningful responsibility, candid feedback and opportunities to demonstrate judgment before the company depends on them. They also need to understand the financial and personal responsibilities that accompany ownership.

Directors can help establish expectations and evaluate progress objectively. Where family members are involved, clear standards and an honest timetable can protect both the business and the relationships surrounding it.

*The board's question: What evidence will tell us that the intended successor is ready, and what is our alternative if that readiness does not develop?*

## 4. Do shareholders have a shared understanding of the future?

Owners may agree that they want the business to succeed while holding different views about growth, distributions, debt, family employment and eventual liquidity. A shareholder who needs income may view reinvestment differently from one focused on long-term expansion.

The board should understand where those expectations align and where they diverge. Providing a structured setting for discussion can help keep unresolved ownership questions from becoming conflicting instructions to management.

*The board's question: Which ownership assumptions have never been openly discussed?*

## 5. Would the ownership arrangements work under pressure?

Death, disability, retirement or a shareholder's desire to leave can turn an agreement that seemed adequate into a difficult financial and operational problem. A valuation provision may be clear on paper while the resulting payment obligation is beyond the company's resources.

Working with counsel and the owners' tax, wealth and insurance advisors, the board should encourage a practical examination of transfer arrangements, valuation methods, funding and the effect on the remaining owners and the business. Insurance assumptions and available funding deserve periodic review alongside the agreements they are intended to support.

*The board's question: If a shareholder transition occurred this year, would the agreed process be clear, affordable and workable?*

## 6. Have we prepared for the events that could change our choices?

A founder's illness, a shareholder dispute, the loss of a key executive or an unexpected financing problem can quickly narrow the alternatives. The board cannot anticipate every event, but it can ask how authority, communication and priorities would change when normal arrangements are disrupted.

Choose a few credible scenarios and work through them with management and the appropriate advisors. Who would respond first? When should directors become involved? What would require shareholder

approval? A brief rehearsal can reveal gaps that a written plan overlooks.

*The board's question: Which event could leave us making consequential decisions with too little time and too few choices?*

## 7. Is the board sufficiently independent to challenge familiar assumptions?

Long relationships and deep knowledge are valuable. They can also make certain subjects difficult to raise. A founder's confidence, a family expectation or a successful history can discourage questions that deserve careful consideration.

An effective board needs people willing to disagree respectfully, examine a favored proposal and acknowledge when more information or outside expertise is needed. Independence has practical value when it brings a perspective the owner or management team might otherwise be unlikely to hear.

*The board's question: Who around this table will raise the issue everyone else would prefer to avoid?*

## 8. Are management, directors and shareholders clear about their roles?

One person may be owner, CEO, chair and parent to another executive. Without clear boundaries, a family preference can become an operating instruction, or a shareholder concern can bypass management entirely.

Counsel should guide the formal allocation of authority. The board should ensure that the arrangements are understood in practice: how decisions are proposed, evaluated, approved and communicated. When personal interests overlap, potential conflicts should be surfaced early and addressed with counsel through an appropriate process.

*The board's question: Are we clear about which decisions belong to management, the board and the shareholders - and which role each person is exercising?*

## 9. Can difficult information reach the board early?

Succession concerns, shareholder tension and weakening financial flexibility may develop well before they become urgent. Directors need to hear about them while useful alternatives remain.

Clear reporting expectations matter, but so does the board's response. Directors who react defensively or punish unwelcome news can unintentionally encourage delay. Management should know which developments warrant an immediate conversation rather than waiting for the next scheduled meeting.

*The board's question: What might we learn too late, and how can we make an earlier conversation easier?*

## 10. Are we preserving choices for the company and its owners?

Good governance helps a business remain capable of growing, continuing under current ownership, transferring to the next generation or pursuing a transaction when appropriate. Preparing for a transition does not commit the owners to one.

Management depth, reliable information, financial flexibility and workable ownership arrangements support each of those paths. When a consequential proposal arises, directors should examine the alternatives and the complete economic arrangement, with experienced transaction advice when useful and counsel leading the legal analysis.

*The board's question: Are today's decisions expanding future choices or quietly eliminating them?*

## Make time before circumstances set the agenda

These conversations are easier before illness, disagreement or financial pressure creates urgency. They do not all need to be resolved at one meeting, but they do need an owner, a timetable and a place on the agenda.

Begin with the company's most significant dependency, its least-developed succession arrangement and its most consequential unresolved ownership question. Identify the information needed, involve the appropriate advisors and return to each issue until there is a workable path.

Management remains responsible for running the business. The board contributes perspective, challenge and accountability - and helps ensure that the company and its owners can meet the unexpected with preparation and sound judgment.

These questions address business governance. Company counsel should guide the application of directors' duties, ownership agreements, conflicts and formal decision procedures.