

Privately Speaking

Insights on private company
growth from private company advisers

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The 2022 private company board agenda

As the country focuses on reopening and companies reposition for the future, private company boards are taking a fresh look at their 2022 agendas.

In this edition of Privately Speaking, the KPMG Board Leadership Center (BLC) offers their perspective on the items that private company boards should keep in mind as they consider and carry out their 2022 agendas.

A new agenda for a new world

The unprecedented events of the past two years have clearly put corporate governance processes, including board oversight, to the test. Robust capital markets have compelled private companies to reconsider their long-term financing strategies. Heightened expectations related to ESG performance are adding new areas of focus. Increased cybersecurity risks, economic and supply chain challenges, and a fast changing tax and regulatory landscape are creating new uncertainties. In this environment, private company boards will need to reassess their agendas for the coming year.

Put these eight items on your agenda

Drawing on the research, insights and interactions that the BLC has held with private company directors and business leaders, here are eight issues we believe private company boards should consider this year.

1

Think strategically about talent and diversity in the boardroom.

Investors want to see strong alignment between board composition and company strategy. Some PE firms have even set goals and offered preferred financing rates to encourage greater portfolio company board diversity. Private company boards will face increasing scrutiny over the coming years—particularly those planning to conduct an IPO or to merge with a SPAC.



Find out how a leading female VC investor is driving a double bottom line impact with her investments in this recent *Privately Speaking Podcast*: Venture capital views from a female entrepreneur.

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Surviving and thriving in this uncertain environment takes resilience. And that requires private companies to not only reassess their agendas for the year ahead. It also demands a more proactive approach to board-building and board diversity—of skills, experience, thinking, gender, race/ethnicity, and sexual orientation.

—Conor Moore,
Partner, National Leader,
KPMG Private Enterprise

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Learn more! Looking for ideas to help create your Board Diversity, Equity and Inclusion strategy? Check out this edition of *Privately Speaking: Accentuating the S in ESG*.

2 Deepen the board's engagement in strategy and envisioning the future.

The board's fiduciary role remains oversight. But effective engagement in strategy discussions increasingly requires a collaborative mindset. Is the board helping management think through all of the implications of pressing and potentially existential strategic questions and decisions? And is management helping to set the context? To test your answers, ask yourself if your boardroom conversations are, in fact, two-way discussions about forward-looking issues.

3 Help set the tone and closely monitor the culture of the organization.

Given the critical role that corporate culture plays in driving a company's performance and reputation, we see boards taking a more proactive approach to understanding, shaping, and assessing corporate culture. Make sure incentive structures align with culture and encourage the right behaviors. Look at the board's own culture for signs of groupthink. Focus not only on the results, but on the behaviors driving those results.

4 Embed ESG, including climate risk and DEI, into risk and strategy discussions.

Climate change, DEI issues, and other ESG risks are now viewed by many private company investors as fundamental to the business. Start by determining which ESG issues are material to the company and which are of strategic significance. Then consider how the company is embedding them into core business activities to drive long-term performance. Oversight of these risks and opportunities is a significant challenge—it requires the cooperation of the full board and its committees.

5 Make talent, human capital management, and CEO succession a priority.

The strategic importance of human capital management is clear. And large private company investors have redoubled their efforts working with portfolio company boards and executives on talent development. At the same time, having the right CEO in place is also critical. Leading directors say they are always focused on developing a pipeline of potential CEO candidates (as well as all other C-suite positions).

6 Approach cybersecurity and data privacy holistically as data governance.

Most private company boards are making strides in monitoring management's cybersecurity effectiveness. Yet, despite these efforts, the acceleration of digital strategies, remote and hybrid work models, increased regulatory scrutiny of data privacy and the growing sophistication of cyberattacks all point to the continued cybersecurity challenge ahead. Insist on a robust data governance framework. Clarify which business leaders are responsible for data governance. And reassess how the board assigns and coordinates oversight responsibility.

We've noticed a number of elements and practices common among lead directors seeking better engagement in strategy. Check out some of the ideas in [this article from the KPMG Board Leadership Center](#).

There's also upside to tax and ESG! Find out how investments into renewables can deliver valuable tax incentives in [this recent Privately Speaking blog](#).

Ready to move from ESG strategy to ESG value? Listen to this podcast on [the importance of ESG for long-term success](#). Then check out [this recent edition of Privately Speaking](#) to read our top tips for private companies.

7 Reassess the company's crisis prevention and readiness efforts.

We are seeing private company boards increase their focus on risk—cultural and operational—across the extended global organization. They are now periodically reassessing the clarity and appropriateness of risk oversight responsibilities across the board's committees. And they are helping ensure that management is weighing a broad spectrum of “what-if” scenarios—from supply chains and the financial health of vendors through to geopolitical risks, natural disasters, terrorist acts and cyber threats.

8 Stay apprised of global tax developments and risks, and recognize that tax has become an important element of ESG.

The global tax environment is rife with disruption and uncertainty. And, at the same time, tax is emerging as an important element of ESG, with stakeholders expecting companies to pay their “fair share” of taxes. Private company boards and audit committees must work with management to understand the risks posed in today's uncertain tax environment. And they must help articulate the company's tolerance for reputational risk associated with tax choices.



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Private company CEOs tell us tax risk poses the greatest threat to their growth. And they know that the tax environment is only becoming more complex. Private company boards would be wise to actively engage with management to ensure the risks are being fully understood, assessed, and managed.

—Brad Sprong,
Partner, National Tax Leader, KPMG Private
Enterprise

7

About the KPMG Board Leadership Center



The KPMG Board Leadership Center (BLC) champions outstanding corporate governance to drive long-term value and enhance stakeholder confidence. Through an array of insights, perspectives, and programs, the BLC—which includes the KPMG Audit Committee Institute and close collaboration with other leading director organisations—promotes continuous education and improvement of public and private company governance. BLC engages with directors and business leaders on the critical issues driving board agendas—from strategy, risk, talent, and ESG, to data governance, audit quality, proxy trends, and more. Learn more at kpmg.com/us/blc.

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KPMG Private Enterprise professionals understand the opportunities, challenges and complexities facing you and your privately-held business. And our talent in local offices works closely with our Washington National Tax practice to assist clients with the full range of needed tax services including multidisciplinary tax planning, compliance and tax technology tools.

From our Tax Planning and Business Strategy practices through to our Resilience and Change Management practices through to our M&A and Restructuring Groups, KPMG Private Enterprise delivers a full range of services to help private organizations thrive in the current environment. For more information, visit Read.kpmg.us/PrivateEnterprise



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KPMG Private Enterprise 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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