

# The Advisory Board

---

## A MEETING OF MINDS

If two heads are better than one, then three must be better than two, and four! A little trite - but a handy lead-in. This section presents the benefits of taking business planning to the next level by creating an advisory board for your business.

You don't have to be large to have an advisory board help you in the management of your business. Even if you're a sole operator, you can benefit from outside help. But there is one essential ingredient that's a must, regardless of your size -- that's the desire to grow and do better. Without this underlying objective, an advisory board doesn't have a purpose.

An advisory board is a group of people brought together to help guide the growth of an organization. Each member of the board is there as a result of his or her own successes and abilities. The board is a positive force whose task is to determine the necessary steps required to achieve the company's goals.

An advisory board is usually an informally appointed group. Unlike company directors, the members of the advisory board are not legally responsible for the actions or inactions of the company they serve. In this sense, an advisory board functions much in the same manner as consultants. However, to ensure there are no misunderstandings, check with your legal advisors.

Step back and take an objective view of your business. Should you have an advisory board? Are you ready for one? To answer these questions, let's look at some of the benefits and activities of a board.

The main benefit of an advisory board is the preparation process the owner goes through prior to each meeting. The mere existence of an advisory board instils a discipline upon management that, without the board, may not otherwise exist.

The board keeps the owner on his toes. The presence of the board gives the owner an additional incentive to achieve the objectives set out in the company's business plan (and possibly provides the impetus for creating the plan in the first place). No Chief Executive Officer wants to face a group of peers and report failure.

A competent outside board will ask probing questions, forcing the owner to provide answers satisfactory not only to the board, but to himself. However, the extent to which this occurs depends on the relationships that exist between the CEO and the board. The tough questions tend to surface privately, not at formal board meetings. Knowledgeable board members will rarely "rock the boat" or consciously embarrass a CEO.

Besides a commitment by the owner to create a board, the owner must show a willingness to open his affairs to people outside his company. This can be a difficult experience for those who are uncomfortable with exposing their business matters to outsiders.

The typical activities of an advisory board include:

- \* Approval of major company policies -- operations, marketing, financial, and personnel policies.
- \* Approval of the company's short and long-term business plans, including budgets and strategies.
- \* Providing an assessment of senior management including approval of compensation arrangements.

The board's role is not to actually prepare the plans and strategies of the company, but to act as a catalyst to see the task is done. It forces action and makes things happen. As well, the board plays a vital role in setting the tone for the long-term direction of the company.

Day-to-day problems are not suitable for action by the board - nor should the board's time be utilized in this manner. Boards are not generally responsive enough to react to urgent situations; this is the responsibility of management.

## SELECTING THE RIGHT PEOPLE

Who should sit on your board? Look for other businessmen or women who have been successful in managing their own businesses or people who have been successful as a professional manager in a larger organization. Here are some examples: the president (or divisional president) of a public company; the owner/president of a company, larger than yours, in an unrelated business; or the owner/president of a non-competing related business. The choice doesn't have to be restricted to presidents, but remember, the higher up the corporate ladder you go, the stronger the players on your team will be.

You don't want a board that will always agree with your views. Your board must continually challenge you. . that's why your key employees don't always make good board members. As a rule, they don't provide sufficiently honest opposition to "the boss". Additionally, owners may feel uncomfortable in having subordinates "approve" their actions.

You should have confidence in the ability of the people you select to act as board members and you should feel comfortable in their company. Equally important, board members should also feel comfortable with each other. Unless members are at ease with each other, meetings will become stifled and dull. The ideal board will consist of people who bring differing qualities to the group: people with strong financial skills, marketing skills, and people development skills.

Creating an advisory board doesn't happen overnight; it can take several months. You have to meet and know the people first. Careful choosing is mandatory. Not only are the stakes high, but it can be embarrassing and awkward to remove someone. As well, not everyone will have the time to serve. Be prepared for the possibility of rejection.

## DEALING WITH YOUR BOARD: OPERATIONAL CONSIDERATIONS

Generally, board members should not be asked to serve for a period longer than two to three years. After that time, people can become bored with the task and will want to move on to new things. As well, getting fresh people onto your board will remove any feelings of complacency that may set in.

Ideally, advisory boards should meet quarterly, with the meeting dates set well in advance. It goes without saying that meetings should be kept as brief as possible; board members are busy people.

Should the members of your advisory board be paid for their time and effort? There is no black-and-white answer to this, but there are a couple of options open to you.

On the one hand, if you choose to pay your board members, the payment signifies a strong commitment on your part and adds to the seriousness of the occasion. Although board members are not serving for the money, most successful people put a value on their time.

On the other hand, if you - or your committee members - are uncomfortable with a direct payment, consider a donation to the registered charity of their choice.

The process of getting ready for an advisory board meeting creates a valuable discipline within the company and a sense of involvement by all staff: the preparation and review of the company's current and projected financial statements; the updating of objectives and strategies and the reporting of progress towards meeting these goals. Even the tidying up of the company's offices for the arrival of the board is part of the process.

The board should get to know your senior management. Make a point of having your senior people attend a portion of a board meeting by making a presentation on a new venture which that person is championing; a new product or trade line, or a report on the progress of a previously tabled matter. Through this process, the board will have an opportunity to assess your senior people while at the same time bringing an even greater sense of identification and commitment to a particular goal.

There's another benefit: When your people interact with an advisory board, they are seeing the way the very top of your company operates. This fosters greater appreciation of your role and generates "top-down" professionalism.

Finally, prepare an agenda for each meeting and circulate it in advance. Following the meeting, distribute the minutes as quickly as possible. Minutes may be a nuisance to prepare, but they are a valuable tool to reinforce the decisions and observations made during the meeting.

## CONCLUSION: IT DOESN'T HAVE TO BE LONELY AT THE TOP

Being a business owner often means you work much of the time in isolation. You need a "sounding board" - a set of different perspectives applied to your decisions. That's why an advisory board makes sense. It instils discipline and discipline is the essence of good management.

Think of the advisory board as just another step in the planning process. And remember that as a business person, it's the step that might just hold the key to a huge dividend in additional financial success and personal growth.

Cleveland Pendock