

Article # 1

Introduction to privately held company boards of advisors

As the owner of a private company you may at times feel it is “lonely at the top.” The use of a board of advisors is one way to overcome that sense of needing to fill gaps in experience or expertise. As an owner of a private company making a decision to form a board of advisors is an effective and efficient way to fill the voids or gaps in experience. A board of advisors is a resource for ideas, feedback and insight.

“If you are a student of the game, you understand what you want to get done strategically and the extent of your talent in that area”

“So surround yourself with a board of people who are as smart as you can possibly find. You don’t always have to agree with them but you had better listen to them.”

That is a quote from Jack Kahl, founder and retired chairman of Manco Inc. of Avon, Ohio. Jack built a successful business growing from less than \$1 million dollars to more than \$250 million dollars.

Jack’s company successfully served the largest and best retailers in the world and effectively competed with companies more than 10 times his company’s size. He

created a seamless environment from his suppliers, through his company, out to his customers and on to his consumers.

As the company grew, circumstances changed, challenges became bigger and the stakes became larger. Jack searched for and found advisors who could be supportive, constructively critical, challenging and independent. His advisors were intelligent, experienced, articulate people who filled specific needs for his growing company.

Over a dramatic growth period of more than twenty years Jack gave full credit for success to his board of advisors. His board of advisors was one of his key competitive weapons.

This series of articles on forming and using a board of advisors for privately held companies will draw on my own experiences serving on boards and on the experiences of Jack Kahl and other executives who have used their boards to effectively achieve outstanding results. The articles will focus on when, what, how and why to form a board of advisors.

The benefits of forming and effectively using an outside board of advisors include improved management focus and performance. It facilitates effective decision making, better selection of options and it leads to a higher probability of success not only for the owner but also for the stakeholders.

There is no single model for a successful board of advisors. There are, however, principles and steps that will optimize the value for both the owner and for the paid professional managers in the business.

The steps described in this series of articles are presented below:

- Introduction to privately held company boards of advisors
- When should a company consider an outside board of advisors
- What is a board of advisors in a privately held company
- Factors to consider, resolve and formalize prior to forming a board of advisors
- How does the owner nurture the advisory board to keep it vital and valuable
- How to maintain value in your board of advisors
- Additional tips on effectively utilizing your board of advisors
- Board of advisors composition and compensation

You can take a number of actions in the process of forming and utilizing a board of advisors that will help you develop and gain the full potential from a successful and productive board. They include: detailed planning, benchmarking with successful owners who have experience with productive boards, and defining the specific benefits to the company.

Taking these actions will provide a good foundation for your own board of advisors.

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October 2003

(Article #2 in this series will discuss when a privately owned company should consider the formation of an outside board of advisors.)