

## Article # 2

### When should a company consider an outside board of advisors?

The most direct answer to that question is now!

Take some time to look at the privately held companies in your area, both inside and outside your industry. You will see that most of the successful and recognizable companies not only have an outside board of advisors, they utilize them to benefit the company's decisions and results. The CEOs recognized as "outstanding entrepreneurs," and companies known as "growth" companies or "top fifty" companies to work for have outside boards of advisors.

A number of signs or conditions indicate clear signals it is to a company's advantage to form a board of advisors. They include:

#### When it begins to feel lonely at the top!

The owner feels isolated from the professional managers hired to run the business, or the decision process in the company directs all the decisions to the owner. An outside board can help the owner make timely, objective, informed decisions.

An effective board can assist the owner in productively engaging the paid managers of the business, making them more valuable, action oriented and accountable for results.

When size and scope become weighty!

While size and scope may be clear indications that outside, independent support may benefit a company, it is not necessary to wait until that time. Starting early when the company is small is even better for the long term growth of the company. Increased complexity and the need for sustainable growth are conditions that call for enlisting specific expertise from outside advisors.

When the competitive curve steepens!

Today's environment of industry consolidations means that competitors continue to get larger and have access to greater pools of resources. In most industries consolidation is a fact of life. Only the strong and the nimble will survive. An outside board of advisors can bring specific experiences and skill sets, help you deal with industry consolidation issues, and regain a competitive edge for your company.

When outside objectivity and advice have the potential to add value!

As companies grow and become more complex the gaps in a company's resources, skills and core competencies tend to widen. This makes the company more vulnerable to the market and success more problematic. Identifying and

filling the gaps with outside advisors is a valuable and effective solution to this problem.

### When “globalization” becomes a factor!

Technology and communication have made the business environment a “global village” for even the smallest businesses. Today a competitor can be any place in the world. Assuring success in this more complex and competitive world calls for the use of advisors with global experience and global vision.

### When the economy challenges results!

Whether the economy is strengthening or weakening it presents unique challenges to a company. These externally driven circumstances are not directly controllable by the enterprise. Dealing with these complex issues opens another opportunity to look for solutions in the formation and effective use of an outside board of advisors.

### When the owner recognizes the low risk, high value potential!

A surprising number of owners have a “fear” of losing control or admitting they need help. Remember, you don’t have to agree, you only have to listen to your board of advisors. There is no loss of ownership, authority or financial control. An owner who uses a board of advisors has the opportunity to see his business through new eyes and find new solutions backed by experience.

When succession or mentoring the next generation is a looming issue.

As soon as an owner begins considering the issues surrounding passing the baton to the next generation or when it is recognized that the professional managers in the business can gain from mentoring it is time to turn to an outside board of advisors. A board can provide new eyes to evaluate the performance and potential of either designated or to- be-identified successors or key managers in the business.

When the inside becomes mentally and creatively isolated from the outside.

When the management of the business is in place for a long period of time or when the frequency of fresh thinking and the challenging of the old guard is infrequent it is time to bring in a board of advisors.

In today's competitive market delaying the decision to use an effective, outside board of advisors is not only a costly decision but also a missed opportunity for a competitive advantage and improved results.

No matter which reasons you choose from this article to bring in an outside board of advisors, remember the gains are a function of taking the appropriate steps to put a board in place and using the board effectively.

In subsequent articles we will discuss the process of forming an effective board and tips on utilizing the talent in ways to leverage the learning and experience.



John F. Dix is president of Business Development Index, Columbus, Ohio, and is a member of numerous boards in the US and Canada. He can be reached at: (dix.3@osu.edu).

October 2003

(Article # 3 in this series will cover descriptions and definitions of an advisory board in privately owned companies).