

## Article # 4

### Factors to consider, resolve and formalize prior to forming a board.

Making the decision to form an outside board of advisors is a difficult one for some owners. However, once the decision is made it is critical to take the time to properly prepare for the organization of the board. This article discusses the factors to consider, resolve and formalize before forming and convening a board.

The first step is to develop a clear mission statement for the board. A clear mission statement will give the owner, the company and the board members an explicit understanding of expectations.

Briefly describe the mission of the advisory board in specific terms relative to the mission of the overall company. An effective mission statement will include the following elements:

- to serve the owner by having experience, expertise in specific disciplines
- to provide the owner with independent advice and counsel
- to serve formally through quarterly meetings and informally through communications and meetings as key issues evolve
- to serve as coach or mentor to succession candidates and senior management

Important issues specific to your own company and circumstances can be added to your own list.

Write the mission statement to fit your company needs and your expectations for your board of advisors. The mission statement serves as a guidepost in both selecting appropriate participants and in the effective utilization of your board.

Next, develop a specific list of responsibilities for the members of the advisory board. The following list will provide some examples of appropriate responsibilities:

- bring specific experience and expertise to the board
- elicit superior management team performance
- provide balance and objectivity to the owner and management team
- assist with training and mentoring
- assist in the development of an exit strategy
- enhance intra-company discipline, management style and process
- serve on committees such as audit, compensation, etc.
- attend and prepare for quarterly meetings
- review financial and other critical data of the company
- be available for phone consultations and special meetings
- have company welfare and long term success in mind

Make the job responsibilities of the advisory board fit the needs and objectives of your specific company. By making responsibilities specific the advisory board will clearly understand their jobs and be better able to deliver the expectations of the owner.

The next step to consider and define prior to initiating a board of advisors is to identify specific gaps in experience or expertise that the board can deliver to the company.

Divide your thinking in this step into two categories. First, think of the company functions that might benefit most from broader experience or fresh thinking. Consider the following: manufacturing, marketing, finance, human resources, technical (research and development or information technology), engineering, legal, etc.

Second, think of the processes of the company that might benefit from improvement in performance, from redefining or reorganizing. Consider the following processes: strategic planning, organizational structure, industry processes, customer development, supplier development, market access, team building, communication, etc.

In both the functional areas and the processes of the company identify where the gaps are most apparent and where filling the gaps has the most potential for improving the performance and results of the company. Find advisors who can fill the three or four greatest potential gaps.

The next step is to formalize the job description for the board members. It is suggested that writing a job description for board members can be best developed by dividing the exercise into two components: the qualifying attributes or defined gaps the company most needs to have filled, and the duties expected of the board member.

Suggested qualifying attributes of board members include the following:

- expertise in one or more fields of value to the company
- adding to the chemistry of the board and the senior management team
- thinking and acting responsibly and with independence
- intelligence
- interest in the company and commitment to the company's goals
- respected reputation, personally and professionally

This list is important for board members to qualify for participation. You may want to customize or add to the list but make sure each of your board members deliver, at a minimum, the qualifiers you select.

A second component to consider is specific job duties. The duties can be divided into two parts. The first part is appropriate for all members of the board; the second is

specific to individual board members, customized to the expertise brought to the company.

The duties include:

- attending quarterly meetings
- being available for between-meeting communications
- serving on a committee
- maintaining confidentiality
- mentoring a specific manager

Develop a list that both defines the duties and adds to the understanding of performance expectations for board members.

Spending time thinking through and developing clear job descriptions for your board will add to the quality and results delivered. Keep the exercise specific and brief. Write it out formally. Make it available for board candidates when you reach the interview stage of forming your board. And, when your board is operating, use it in evaluating the performance of your board.

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(Article # 5 in this series will cover how to nurture and how to maintain value in a privately owned company board of advisors).