

Article # 7

Additional tips on effectively utilizing your board of advisors

Forming and maintaining a board of advisors that brings long term value to the owner and company takes detailed up front planning. It takes attention to details as well as a willingness to allow the process to grow and evolve to meet the needs of the company. It takes discipline to keep the process effective and valuable.

In situations where both the owner and the board perceive the value of an effective board the odds are both parties will work to continually improve the process. In these cases the business has a competitive edge. Not all advisory boards are effective. I can attest from personal experience the best ones are in companies with open minds, open books and a management team that thrives on new thinking and major challenges.

This article focuses on the procedures and disciplines found in effective boards of advisors. As you gain experience with your own board you will customize procedures that best fit your company, your management team, and the goals you set for your board of advisors.

Meet quarterly, or as appropriate, with your board of advisors. Most private companies find quarterly meetings

sufficient. At times special meetings or conference calls may be necessary or valuable.

Have an agenda ahead of time in the hands of the board members and the company managers who will be attending the meeting. Providing lead time of a few business days to a week is usually sufficient. This allows for preparation and greater participation adding value to the meeting.

Send out data and results ahead of time to all participants. This allows everyone to be up to date and ready to discuss the real issues without time spent on background information. Material sent prior to the meeting should include financial data, as well as key business results such as productivity, status of major capital spending initiatives and progress on important projects.

Communicate important information between meetings to the outside board so they stay abreast of milestone activities. Keep the updates simple. Substituting visual graphics for narrative description can facilitate and highlight important information.

Present one major functional discipline at each meeting to give the board exposure to both key managers and key projects of the company. The company will gain valuable input while the board will gain valuable insight into the quality of both the managers and the projects.

Expose new thinking, new processes and new products early so the board has an opportunity for input at a time when additional outside thinking can add value.

Have a formal letter of engagement so outside board members have a clear statement of performance expectations, understanding of risks, terms of service and a commitment to compensation.

Consider one social event per year for your board members and your key managers to interact and develop a sense of team. This will also give your board an opportunity to further evaluate your manager's skills, attributes and attitudes.

Finding and implementing value-adding processes for your board of advisors most likely will be distinctive to your company needs and your management style.

In my experience the most productive and value-adding boards work for owners who recognize the benefits that accrue from the time and effort needed to create an effective outside board of advisors.

If you are like many business owners considering a board of advisors for the first time you likely have to overcome some level of the "fear of the unknown." Once the comfort level is there and the decision is made to proceed with a board of advisors, take the time to think through the issues discussed in these articles. Choose the right combination of

options for your management style and your company's needs.

As your board evolves and your company grows, adjust and adapt your board make up and processes to meet the changing needs of the company and the demands of the market. Keep your commitment to the board and establish ways to both maintain continuity and consistency and to extract sustainable value from your board of advisors.

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(Article #8 in this series will cover composition and compensation of a privately owned company board of advisors).

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