Ask Andi
Trusted Advisor to Business Owners

Creating a Board of Directors

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Can you tell me about a Board of Directors. I'm thinking about forming one, but I'm not sure if it's a good idea, or how to go about setting one up.

Setting up a board is easy, once you've done your homework on figuring out what you want. I'm constantly surprised that more owners haven't done it. Remember, most people like being asked for their advice, and are willing to help if they can. The trick is spending a little time upfront, researching and planning. This will significantly increase your success once you put your board together.

There are a lot of questions you want to answer, before starting to set up a Board of Advisors, including who, what, when and how. You probably want to start with the all important question of why. Today's business owner did not indicate their company's size or stage of development, which might provide clues as to why. So we'll answer that question, and the other basics, as broadly as possible.

There are lots of reasons to set up a Board of Directors. You may want to

- have access to other perspectives
- add intellectual capital to your planning and decision making process
- introduce some diversity to your views
- learn about how others approach problems
- get advice and perspective about issues you're facing
- have a team approach to solving top level problems
- feel less alone
- put yourself in a place where you're more likely to be held accountable

just to name a few reasons for forming a board. Whatever your reasons for forming a board, make sure that the board will be focused on you and your company, in order to achieve the best value.

Some of the problems that I've heard from business owners who have experimented with boards include that the board

- had a tendency to turn into a get-together session
- wasn't clear enough about it's mission relative to moving the business forward
- members were not a good fit to what the owner needed
- became distracted or didn't have enough time or authority to drive action
- meets primarily to address crisis situations and has little time left over to plan where the company needs to go

In addition, some corporate board members lack effectiveness because they

- end up acting as rubber stamps
- are unqualified for the positions they hold
- have been in place so long that they are simply another insider

You want to be sure you clear the deck of these issues, and can best do that by thinking through how you set up the board, by answering the what, when and how's of the board.

Think about good examples you've read of, of corporate boards – and remember that our large, publicly held corporate counterparts also have a wide range of board experiences. Do some research on boards, by reading about corporate governance. Look for examples of boards where the members are selected for, and respected for, their ability to advice the company, keep the company in line, and hold the CEO accountable. Keep your eye open for examples of how to periodically turn over board members, as the needs of the company change. Look for examples where the board meets on a regular schedule, has an agenda of items to cover that are specific to the long term planning and short term execution of the company they are advising. Look for a board with diverse backgrounds, people who can advise the company about legal and financial needs, as well as providing perspective on operations, marketing, sales and information technology. Look for companies that function quietly, routinely, regularly increasing stock value and shareholder

O: 914-238-3500. • F: 914-238-2529
AskAndi@StrategyLeaders.com • www.StrategyLeaders.com
Strategy Leaders, Inc. • 5 Crossways, Chappaqua, NY 10514

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equity. Read about some business leaders you respect, past and present, people with a long, strong performance track record, people like Warren Buffet, Jack Welch, Lou Gerstner, and what they have to say about boards. That will help you to formulate your list of goals and requirements for your board.

Now let's tackle the Who question. Who should you put on your board, and how do you get them to join you. As I said earlier, you want to pick people who can advise you, and who will be focused on helping your business make progress. Some of the questions you want to answer are

- what additional skill do you and your company need
- what areas of the business do you not understand as well as you could
- which areas of the business need to make the most progress
- how much accountability do you want or need to have in place
- what advisors do you regularly need to bring together, to share ideas and develop a go forward plan

Think about areas of the business where you would be least likely to have employees, most likely to have advisors. This list might include accounting, legal advice, marketing, strategic planning, to name a few. As the owners of small businesses, there are many people who we will not have as full time employees. And yet, their advice, and integration of that advice into the company's planning process, is crucial to our success.

Once you've answered the "who" question, move on to what role you want board members to play. Accountability is usually a big issue – for you as an owner. You probably want advisors who are willing to hold you accountable. You also want people who are willing to challenge you to do better than you can on your own. Some owners want board members to take on assignments as a result of each meeting; other owners want to limit the board's involvement to participating in meetings only. Think about whether you want the board to focus on answering questions you may have, listening to the challenges you are wrestling with, helping you map out a future for the business, or all three. As you line up advisor candidates, be sure they are clear as to what you want, and are willing to work within those parameters.

"When", is a three fold question. When is a good time to start a board? Just about any time, if you, as the owner, are prepared to pay attention, use the advice you are given, and get into a routine. "When", as in, "how often" is another question you need to decide on. For some owners, quarterly meetings are all they need, to get high level advice on a few critical issues. For most of us, a more frequent routine of every 4 to 8 weeks is probably useful. This allows enough time between meetings to get things done, and still keeps things frequent enough to build momentum. The third part of "when" is the time of day, and day of week you choose to meet. This may be decided by availability of your advisors. Some owners have a breakfast, lunch or dinner meeting. Others prefer a formal meeting, in the office, held before, during or after work. There is no right answer. Think about where you will be most comfortable, and whether or not you will need to access information stored on the office computers. Sharing a meal is often a good way for people to know each other on a more personal level, which is particularly important if your team of advisors hasn't worked together before. However, you also need to set guidelines on how much business will be discussed, and how notes will be recorded, to insure you get the most out of your meetings. And, if you meet in a public location, such as a restaurant, you need to consider the privacy factor – you don't want the table next to you listening in on your board meetings.

Finally, think through the "how" question, as in how will you prepare for, and how will you follow up after meetings. A set of notes is crucial in order to stay on top of what is discussed, and who will take action afterwards. Having an agenda to start the meeting means you will be more likely to cover the issues you want, and that your advisors will be prepared to advise you.

Compensation for board of advisors is all over the map. One caution: beware of the old adage: you get what you pay for. Expect to compensate your advisors, and focus on people who are used to functioning in a board of advisors type of setting. Typical board compensation can run from a few hundred dollars per meeting, to a few thousand, depending on how much time is involved, the level of expertise each member brings to the table, and a host of other factors. Some advisors will also require that you carry insurance to protect the board; check with your business insurance person for more details on what is available if this request comes up. If funds are limited, consider meeting less frequently, to lower your yearly outlay. Figure out how much you can afford, then approach the best advisors you can find, and ask if they would be willing to work with you. If the first person you approach can't help you, ask that person who they would recommend.

That's some of the ins and outs of putting together a board of advisors. Good luck setting up yours. There's no time like the present to get started.

Looking for a good book? Try, The Board Book, Making Your Corporate Board A Strategic Force In Your Company's Success, by Susan Shultz.

Business owners regularly turn to Ask Andi and Strategy Leaders for advice on how to grow profitable, successful companies. They find what they need time after time. Specific advice is available at www.AskAndiBlog.com. Ask Andi is also published weekly in the Westchester and Fairfield County Business Journals and Hudson Valley Business. Written by Strategy Leaders President, Andi Gray, the Ask Andi column is a rich source of advice for owners of established, privately held businesses.

If you are a business owner and you have a question or would like to discuss some aspect of your business, call 1.877.238.3535 or send an email to AskAndi@StrategyLeaders.com.