



IS YOUR BUSINESS OUT-RUNNING YOU?

“Creating an external advisory board can help your business grow and profit”.

Brendt Munro (Queensland Business Review – April 2006)

At some time in the normal evolution of business, two things happen. You outrun your people, your systems and your money or they outrun you. The CEO in today’s busy environment, especially those pressed for time, has difficulty making sense of the situation.

Confused and stressed, the CEO loses confidence to grow and loses banker confidence. Disillusioned, they become inward focused, taking their eye off the strategic initiatives, an essential part of their job.

Seeking advice and counsel is an activity as old as time itself. In ancient days, tribal leaders regularly convened a gathering of elders to benefit from their wisdom and experience. With today’s fast-changing times and increased pressure to find the right people, too often the entrepreneur’s decision-making process is isolated.

The answer can lie in creating an advisory board of knowledgeable, well-connected peers to help the business grow and profit. One or two experienced individuals can make a world of difference to business growth and success.

Michael Gerber, in his book *The E-Myth Revisited*, talks about “knowing the technical work of the business is not the same as knowing the business that does the technical work.” Many entrepreneurs do not understand the difference and wonder why at some point their business stops growing.

A board of advisors can offer assistance and management advice to the owner. Far too often the owner has not been able to clarify and communicate strategy to his people. Equally, little if any time is spent with the management team reviewing business performance on a regular and controlled manner.

As the business evolves, the owner becomes accustomed to directing traffic, rather than building the people to build the business. At some point in that business evolution, the owner will become extremely frustrated and overwhelmed with the sense that nobody understands that they are doing it all themselves.

A board of advisors will normally bring the discipline of formulating a strategic plan that is communicated effectively through the organisation. They will also ensure that the owner focuses on the strategic initiatives that are required to allow their business to grow and profit.

Before creating an advisory board, owners must be clear as to the purpose or its objective. ‘Yes men’ are of no value to the business – the owner must be prepared to listen to alternative views. Frequently, entrepreneurs are control freaks who do not welcome the advice of other people or are untrusting.

Reasons for NOT wanting to create an advisory board include:

- Outsiders would never understand their business.
- Outsiders would create a bureaucratic system.
- Fear of losing control.
- Fear of being embarrassed.
- Not knowing how to go about it.
- Not organised enough to hold meetings.
- The costs assumed to be too high.



Not surprisingly, some advisory boards do not work. Incompatible or disruptive personalities may be difficult to get along with and are of little value if members cannot work together.

In recruiting candidates, advisory board members should be capable of the following:

- Demonstrating a proven record of sound business decisions.
- Understanding of management and business trends.
- Having knowledge of different industries.
- Being familiar with financial disciplines.
- Confronting a crisis with a level head.
- Offering strategic input.
- Acting and speaking independently.

In most businesses, the clash of day-to-day operations leaves little time for reflection on long-term thinking. Too much time goes by without the owner and senior management answering basic questions like:

- “What are our long-term goals?”
- “Are we seeking to become a market leader?”
- “What do we want to know from our customers?”

An effective advisory board helps the company stay focused on its vision, strategy and goals. After all, knowing what you want to achieve is critical to any successful strategy.

The roles and responsibilities should be clear to those that agree to act as advisors. These include reviewing the business’ fundamental purpose, priorities and goals. From there, advisors should oversee and evaluate strategic business plans and support management in carrying out these plans. Effective advisors will also act as a coach to the owner/CEO and undertake regular assessments of their performance. The advisory board can also be responsible for the approval of the annual budgets and ensure that the company adheres to it.

The advisory board should also be willing to assess their own performance to ensure that it is achieving results and balance performance with conformance and that it is meeting its statutory obligations. Owners benefit most when they are prepared to commit to monthly or quarterly meetings with performances measured against a strategic plan and financial performance measured to budget. This inspires positive growth and cultivates success and gives the business owners piece of mind, confidence to grow and banker confidence.

This can be extremely gratifying and all it takes is the owner’s willingness to seek outside help.