

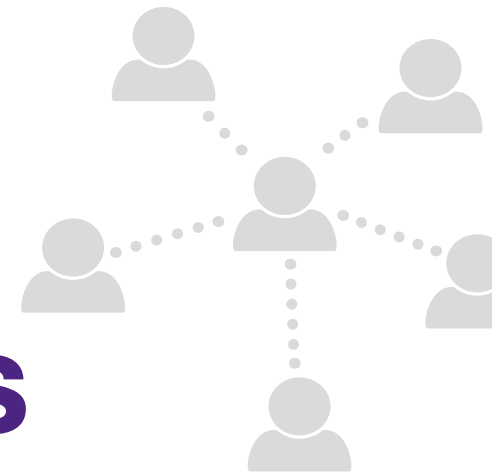


ADVISORY BOARDS

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ADVISORY BOARDS

Running a business is simply easier if you have some help and advice from a group of trusted individuals dedicated to seeing you succeed.

Karen Usher credits her advisory board for driving 85 % growth in revenue in 2002 and an additional 35 % in 2003. Frank Holt believes he would have avoided three costly mistakes if he had consulted an advisory board, so he formed one last May. Every major business decision I've made has been shaped by my board of advisors. Running a business is simply easier if you have some help and advice from a group of trusted individuals dedicated to seeing you succeed.

After working with my own board for many years and collecting the experiences of others with advisory boards, here are five suggestions:

- 1) Get one;
- 2) avoid group meetings unless the members are local;
- 3) pick a project for each member to drive;
- 4) customize their compensation packages; and
- 5) avoid a formal Board of Directors. Let me elaborate.

GETTING ONE

Frank Holt, Chairman and CEO of North Carolina-based Holt Sublimation Printing and Products Co. (among other things, they manufacturer all those themed flags you see hanging on the sides of homes), recently sent me a note. "One Sunday afternoon, I listed the 3 biggest mistakes I had made in the last several years.

I determined that I wouldn't have made any of those mistakes had I held myself accountable to a group of experienced businessmen who I respected.”

His board consists of six members plus himself. They include a leading turnaround specialist, an executive search specialist (headhunter), his attorney, his accountant and a very talented and proven entrepreneur. Why did he choose these types of executives? “In particular,” noted Holt, “the turnaround guy helps me face and make tough decisions. The headhunter reminds me to develop my executives to be the best and he's in tune with my strategy so that if I need a new executive, we can get started right away on the search. My attorney is one of the best in the state in working on corporate and tax matters and I leveraged his contacts to build this Board. Likewise for my accountant. They all believe in me and they are all willing to help me stay out of trouble and to succeed.”

“How can I keep on learning in real time on real issues that I'm facing?”

Karen Usher, President and CEO of McLean, VA based TPO, Inc, an outsourced HR services firm, had similar reasons for putting together an advisory board. “I felt I had reached my current natural limits on learning how to be a CEO, was not getting enough consistent and targeted professional development from groups like my CEO roundtables, and felt I didn't have time for full-time school,” recalled Usher. “How can I keep on learning in real time on real issues that I'm facing?” She went for two members first – one to bolster her skills in finance, strategic relationships and senior teams and one to support her continuing efforts in service quality. Besides crediting them with her growth in revenues, they've helped her transition the entire leadership team into new roles, managed a major trade market infringement scenario, and helped her work out their business plan for the next 4 years.

How do you attract an advisor? Just ask. And keep asking. It took me two years to get John Cone', the former head of Dell Learning, to agree to be on my advisory board. And the key to

keeping them is to follow-up with emails detailing how you've specifically acted on their suggestions and/or why you've decided not to follow their advice – either way, close the loop and they'll stay engaged.

AVOID GROUP MEETINGS

Unless your board is strictly local, I have found organizing advisory board meetings to be such a scheduling and travel hassle that it was enough to make me end the process. Besides, my advisory board doesn't need any more contacts, so meeting each other isn't worth the headaches of scheduling. Instead (and several CEO friends with advisory boards have done the same) I work with each advisory board member one-on-one. I'll have one of them fly in for a half-day; I'll meet with another for breakfast; and mostly I seek their advice and help via email or the phone.

For those that do have regularly scheduled quarterly meetings, they still find it highly beneficial to spend one-on-one time with each member, which leads to the next point.

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ONE FAVOR AT A TIME

If you want to maximize everyone's time and get the most from your board, pick one specific action item for each board member to pursue on their own. For example, last year I asked John Cone' to help me nail down the GE, Dell, and Southwest Airlines benchmarking events. I had breakfast with Boyd Clarke, CEO of the Tom Peters a few months ago to get his advice on marketing. Bill Gladstone, one of the top author agents in the country, is working with me on a potential second book deal. Ted Leonsis, Vice Chairman of AOL and investor in Gazelles, was key to securing my relationship with Fortune Small Business magazine. And my longtime advisor, Arthur Lipper, former owner of Venture

Magazine, is helping us get some business in Singapore. The help I've received from my advisory board, since pursuing individual projects with each, is considerably greater now than when we met as a group. And it keeps me from overwhelming them as they all have their own busy schedules.

COMPENSATION

When I was holding quarterly meetings, I paid my advisors a daily fee plus expenses. Usher pays her advisors the same, while Holt pays three of his advisors an additional quarterly retainer in addition to the daily fees to compensate for the conversations and assistance that occurs between meetings. His lawyer and accountant simply receive their normal hourly rates. As for stock options, unless it's a high growth firm with some near term liquidity prospects, I would avoid using them. They can create some real legal and paperwork issues down the road.

I've tailored each advisor's compensation to fit their circumstances.

Now that I don't have formal meetings anymore, I've tailored each advisor's compensation to fit their circumstances. John Cone receives a daily consulting fee and expenses for his formal visits and I send him American Express certificates to take his wife to dinner after a phone consultation. Bill Gladstone gets 15% of any publishing deals he does for me and ongoing fees from my present book. Boyd Clarke and I exchange favors and help. And Arthur Lipper gets a piece of my wealth when the worth of my company exceeds a certain valuation.

BETTER THAN A BOARD OF DIRECTORS

The recent Sarbanes-Oxley Act imposed on public companies has soured private firms on having a formal Board of Directors.

I originally structured a Board of Directors for Gazelles. However, after a few formal meetings, I remember Arthur Lipper recommending to the Board that they disband and form an Advisory Board instead – mainly because I was too loose of a cannon and they didn't want the fiduciary responsibility that comes with being a formal board of directors. And they realized their contribution was more advice rather than setting policy which I would be technically forced to follow.

Holt summed it up nicely in his note to me “the strategy (of getting an advisory board) is young but it is already paying dividends in many ways.” Usher echoed Holt's thoughts when I emailed her this morning as I finished up this column. Start with just one or two advisors. Get some outside help and perspective. You can become more formal and sophisticated later with your advisory board, but make sure you have one.