The Entrepreneur’s Guide to Financial Maturity ®
The importance of a Board of Advisors

In my last article, “Your Roadmap to Financial Maturity ™ - Common Mistakes Made by Small Businesses” the last common mistake that was listed was not having a Board of Advisors. I am still amazed as to how many entrepreneurs feel that Boards of Advisors are for large companies, not for small to mid-sized businesses. Yet those small businesses that have a Board of Advisors recognize its value and understand how it contributed to their company’s growth and profitability.

Your Board should require you have a Business Plan:

If you have a Board of Advisors, generally, you will need a business plan that creates a roadmap for the next year or more. When the Board reviews the plan, the underlying assumptions of your plan get analyzed. The assumptions are evaluated and management often has to defend its assumptions to determine whether the plan is realistic, too conservative or overly aggressive. Once the parties understand the assumptions, certain goals (both short term and long term) can be established. Tactics can be developed to support how these goals will be achieved. Once the parties agree, the next step is implementation. Your Board should be monitoring your company’s progress.

For example, a client asked me to become a member of his Board of Advisors. He prepared a well thought out business plan. The plan, if implemented appropriately, had a better than average probability of being successful. The relatively young company was strapped for cash and was concerned about incurring expenses with no tangible results. He was concerned about engaging professionals before he could afford them.

Based on our existing relationship, I suggested that we have a Board meeting sooner, rather than after year end. This would enable the Board and the entrepreneur to be proactive. The Board could provide direction and assist with the implementation of the business plan, instead of reviewing matters forensically. The entrepreneur recognized the value of being proactive and we had our Board meeting. The meeting exceeded the principal's expectation. By brainstorming, we developed several ideas would save his company money and/or increase revenues.

The client told me prior to the meeting that by preparing for the meeting he already received benefits that significantly exceeded the meetings costs. Some of these benefits included:

- A clear agenda for the next calendar quarter
- A better understanding as to the tactics required to achieve the company's objectives
- A shorter learning curve
- More realistic assumptions that would withstand scrutiny from 3rd parties
- More cost effective supply chain processes
- Implementation of certain segments of the plan prior to the meeting
- Reduced stress
- A sense of control over his business
- Education

Developing the Agenda for your Meetings:

The client I referred to above was serious about being successful. The client devoted a fair amount of preparation time for the meeting. As part of the pre-meeting preparation he outlined:

- The current situation
- Short term goals
- Long term goals
- A time line for when critical actions/decisions needed to be made by in order to achieve the goals
- Contingency plans in the event of potential delays in taking certain actions
- A series of tactics needed to achieve these goals

Although this might sound obvious to many, very few entrepreneurs ever go through the exercise of preparing for success and developing the infrastructure needed to support it.

Today, this client views each Board meeting as a deadline, and certain things have to be accomplished prior to the deadline.

Know Your Business:

In Board meetings there are ample opportunities to question each major assumption, major decision, critical path and the anticipated results whether the paths are taken, or deferred. The serious entrepreneur will evaluate and re-evaluate key issues prior to these meetings. The entrepreneur understands that he or she will have to justify certain decisions to people who are more objective, a Board that does not have the same emotional investment or financial commitment that he or she has. The objectivity and the different paradigms provide tremendous value to those entrepreneurs that can appreciate it.

The preparation is instrumental in fine tuning your ideas. Having a “sanity check” as well as a forum where you can brainstorm is also important. However, your commitment to your business changes when you have to report and be accountable to others.

Create Accountability:

Boards of Advisors create accountability. In the normal course of business, the Board meeting will require that there be certain follow-up. It can be embarrassing if the entrepreneur agrees to an action plan and then repeatedly fails to take appropriate action. If this occurs too frequently, the Board members may become frustrated, and will drop off the Board. Be prepared to perform, your Board will demand performance.

Focusing on what is Important:

Often entrepreneurs are too focused on the wrong priorities. The Board will look at both your long-term and short-term goals and help you evaluate and prioritize. The Board may want you to prove your ideas before you spend too

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much time on developing a game plan for a product or service that may not have the anticipated market acceptance. They will ask questions that provide insight into your distribution and fulfillment capabilities. In other words, do you have the ability to deliver what you are promising if you achieve the results you desire?

The Key to Business Success is Implementation:

Everyone has great ideas. People with many ideas often do not follow through on any. Often they act on impulse not on a plan. It is the ideas that get implemented that turn dreams into the successes.

Leadership requires that you grasp theoretical complexities and have the confidence to put that theory into an action plan. Your Board will supply you with some of that support. Your Board will require performance or suggest that someone who is capable of delivering the plan be brought in to execute it.

Even tough you may own 100% of your business, You Are Not the Only Stakeholder:

As an entrepreneur, people and companies are depending on you to meet your commitments and obligations. Your employees, vendors and customers each have a stake in your success, and each will, potentially, experience varying degrees of "pain" in the event your business fails. It behooves you to manage your business for success. Creating accountability for the implementation of your business plan is generally the best way to get things done.

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