

Is An Advisory Board Right for You?

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An active, properly structured advisory board can provide closely held business owners with invaluable insight about their business. Because each business situation is unique, there are several types of advisory boards to fit your needs, including customer advisory boards, employee advisory boards and boards of directors. Each board provides specific benefits to closely—held businesses.

CUSTOMER ADVISORY BOARDS

Knowing, understanding and giving your clients what they want can be the difference between success and failure. Although there are a number of methods to find out about your clients' wants and needs, one of the most effective strategies is creating a customer advisory board.

The main purpose of a customer advisory board is to gather input about your products and services on a regular basis. The customer advisory board meets two to four times a year to review ideas, strategies, plans, your mission, goals and specific marketing tactics. For example, at one meeting you may want to get input on different business strategies or a marketing brochure. A customer advisory board should consist of your best customers. The ideal size board is nine to twelve people. The most effective boards meet for at least three hours, while some meet for a full day and others for a weekend getaway. In most cases the board members are compensated. The most frequent kinds of compensation include gift certificates, free weekends away, lunch meetings, or a direct payment. In these turbulent times, with strong competition and uncertain consumer behavior, you need a winning edge. One of the best investments to boost your bottom line is a customer advisory board.

EMPLOYEE ADVISORY BOARDS

Another effective way to gain valuable insight about your business operations is through the development of employee advisory boards. This type of advisory board should be a compilation of employees from various levels of your organization, including the production, administrative and sales areas. These individuals should have a clear understanding of their role in the company as well as its vision and mission. It's important that people chosen for the employee advisory board are not afraid to voice their opinion.

Having participation from various levels of the organization will provide you with a number of valuable perspectives and will help you improve your customer service, produce better products and improve internal processes to be more efficient, ultimately saving the company money.

An employee advisory board should meet monthly when it is first established to generate a variety of ideas, obtain proper authorization and provide necessary follow-up. Once a number of initiatives and monitoring systems are in place, the board meetings can be held once per quarter.

BOARD OF DIRECTORS

The highest level of advisory board is an outside board of directors. This outside group of business professionals is organized for the purpose of providing support and assistance in regards to business operations, industry issues and financial performance. The group can also serve as a sounding board to aid in evaluating business ideas and opportunities, developing succession and ownership transition processes and providing counsel and support to company management while encouraging self-discipline and accountability.

Board of director members can include professional advisors such as bankers, attorneys and accountants as well as academics, presidents, entrepreneurs or other professionals knowledgeable in a specific industry. These people should have different business expertise than you and your management team, which allows for a fresh perspective on your business.

When developing a board of directors, it is important to remember not to choose advisors solely on compatibility. Objective debaters who can explore and discuss issues and ideas without alienating their fellow members or owners are the most effective.

A typical board of directors for a closely held business should range from three to five people in size. Most board members are compensated in some fashion, typically on a yearly or hourly basis depending on their experience and wealth of knowledge. Normally \$50 per hour is a sufficient rate for a board member of a closely held business.

Regardless of the type of advisory board you decide to establish, business owners need to be willing to listen to board members, take advice and implement some of their recommendations. If suggestions are never implemented, board members can become frustrated and may not be willing to participate. We encourage all closely held businesses to consider developing some type of advisory board. We hope you will use the information provided in this article to help determine which type of advisory boards are right for you. We also recommend that you speak with other business owners who have developed these types of boards and find out what has worked best for them. We believe advisory boards are an

important part of the business process and will contribute to your company's survival and growth.

Sincerely,
Titus, Urbanski & DeMarco, Inc.
Certified Public Accountants