

Where advisers turn to get advice

.....
Good businesses need a sounding board, says Martin Mulcare.



In times of significant change and uncertainty in your business, on whom can you rely for guidance and support? I mentioned mentors in last month's column - and a mentor can certainly be a valuable source of wisdom.

Professional associations have a role to play and are addressed elsewhere in this edition. However, for business owners who seek a more tailored and structured form of guidance, the answer may be a "Board of Advice".

One definition of a Board of Advice ("BoA") is: "A non-fiduciary committee, usually small in number (and perhaps only one person), that provides non-binding advice to the owners of small businesses and partnerships." The members of the BoA do not have the formal responsibilities of directors, but they behave as if they do.

BoAs are usually set up to achieve at least some of the following objectives:

- To provide a sense of accountability for the owners in formulating and monitoring their business plans;
- To act as a sounding board for strategic decision making;
- To test the policies (rather than form the policies) of the business;

- To further the aims and objectives of the business through networking;
- To provide support for the operational manager, particularly in situations where the operational manager is monitoring the business performance of the owner.

It is fair to say that the BoA concept does not work for everyone. The potential benefits are:

1. It provides a forum that disciplines the owners into undertaking a regular overview of their business.
2. It creates access to a more diverse range of knowledge and experience, beyond the skills and talents of the owners.
3. It helps develop business opportunities through the networks of the members of the BoA.

However, there are also potential risks of establishing a BoA:

1. It may create tension if the role of the BoA is not clearly defined, relative to the role of the owners.
2. Meetings may degenerate into non-productive social occasions without an effective framework.
3. It may add time and demands to the

already busy schedule of the owners.

The challenge is to operate a BoA in a manner that leverages the potential benefits and mitigates the potential risks. In practice, the BoA functions through a regular, perhaps quarterly, meeting with the business owners. Meetings usually follow a formal agenda, with actions arising recorded for reference and follow up. The BoA should also be available for urgent issues that arise between the scheduled meetings.

If you are considering forming a BoA for your business, the following questions may spring to mind:

1. How many people do I need? Initially a single member may be sufficient to generate the benefits you are seeking. Once the roles and rhythm are understood, then it may be time to add one or two more members. I suggest that any more than three members is unwarranted for the purpose.

2. Where might I find them? Think about business people that you respect. You may have worked for them or you may have been coached or trained by them. They may have recently retired or may be looking for board roles. You are probably well aware of your own talents, so think about people with complementary (not duplicate) attributes.

3. Should clients be on my BoA? I am very supportive of great relationships and open feedback with clients. However, I would not recommend clients for your BoA. There is potential for conflict of interest and a risk of limiting the matters for consideration.

4. What do they cost? Whilst a mentor may be happy to undertake an informal relationship without being paid, you should expect to pay the members of your BoA. A starting point is the directors' fees for unlisted SMEs, suitably discounted to reflect the lack of fiduciary duty.

These are the best of times to ensure that your business has access to regular input from objective, external people who have your best interests at heart. You may even come to enjoy the accountability that a BoA delivers! ■

Martin Mulcare enjoys coaching and supporting financial advisers and can be contacted at martin@scat.com.au