



Where Do You Get Directions?

Are there enough challenges facing your business in 2014? In an environment of great change – political, legislative, economic, social and technological – success will not come naturally. In fact, it may require some important decisions about how you operate your business or even what direction it takes. How will those important decisions be made? This column is addressed to the owners of advice businesses, but it is also very relevant to key employees....

In times of significant uncertainty, who can you rely on for guidance and support? In my experience, business owners usually adopt one of three options:

1. Rely on the skills, experience and judgment of the owner or owners. Many small businesses do not rely on any external advice because the owner is self-sufficient – even if the only strategic conversation takes place in the shower.
2. Build a relationship with a mentor or a trusted adviser who fulfills the role of a “Board of Advice” (BoA). The mentor or BoA acts as a sounding board, providing non-binding advice to the owners without any fiduciary or formal responsibility.
3. Establish a small Board of Directors, comprising the owner(s) and one to three external business colleagues. This represents a more structured form of guidance, aligned with the principles of the Corporations Act.

Here is a brief summary of the pros and cons of each option:



Option	Advantages	Disadvantages
Owners Know Best	<ul style="list-style-type: none"> • Inexpensive • Efficient • Sense of control of your own destiny • Clear responsibility 	<ul style="list-style-type: none"> • May lack accountability • Limited to skills and experience of owner(s) • Narrow perspective • Hard to implement material changes of direction
BoA or Mentor	<ul style="list-style-type: none"> • Access to more diverse experiences and skills • Some accountability • Broader perspective • Semi-regular pulse check 	<ul style="list-style-type: none"> • Requires time and some expense • May become a social chat without a framework • Risk of confusion of roles
Board of Directors	<ul style="list-style-type: none"> • Regular, formal review of progress and performance • Access to more diverse experiences and skills • Formal records of decisions • Comfort for clients 	<ul style="list-style-type: none"> • Requires time and additional expense • May feel like it adds to the compliance burden • Risk of confusion of roles

The challenge for you as an owner is to consciously choose an option that leverages the potential benefits and mitigates the potential risks. In weighing up the options you might consider:

- Your personal style and preferences for decision-making
- Your track record of success and overcoming obstacles
- Your business plan and your long term ambitions
- The challenges you and your business are currently facing

You may also find it useful to discuss the experiences of other business owners who have established roles or structures for external input – or who have deliberately chosen not to.

If you have a nagging suspicion that your business is not performing as well as you know it can, perhaps it is time to consider seeking regular input from objective, external people who have your best interests at heart. Who knows, you may even come to enjoy the accountability that a Mentor, BoA or Board delivers!

These are the best of times to assess the governance framework for your business and decide what will be most effective for you.