

Tips For Creating An Effective BOA

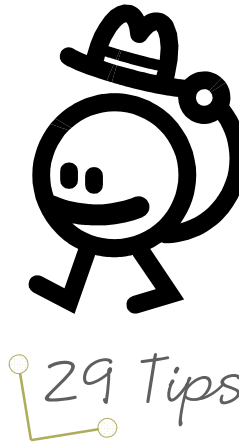
Governance Perspectives

A board reference tool.
October 1, 2013

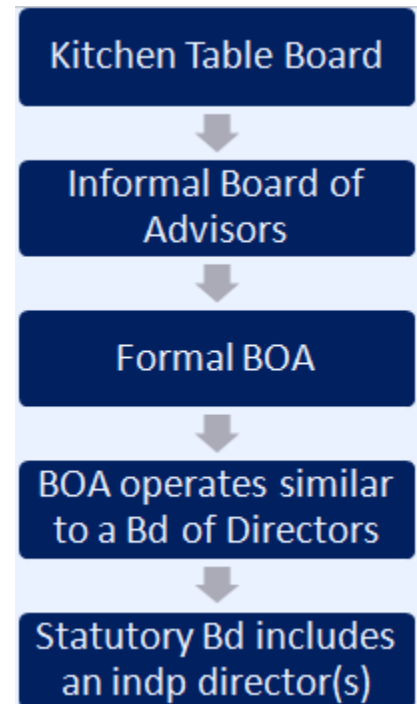
Want to get the most out of your board of advisors?

What is your definition of a BOA? Here’s mine.

A board of advisors is made up of a group of outsiders, selected by the owner/CEO, who have helpful business skills. The BOA provides an independent perspective, and unbiased and unfiltered advice to the owner/CEO – it acts as a sounding board on current issues and strategy. The business is under no obligation to accept the BOA’s recommendations and the BOA has no formal authority (and no liability).



The Five Stages of a Private Company Board



Why 1. Determine the purpose for your BOA and understand your expectations.

2. Consider what experiences and skill sets would be beneficial, then think about who.

Recruiting 3. Don’t recruit friends, family members or paid advisors.

4. Look for people you can trust and develop a meaningful relationship with – folks who will commit.

5. Look for honesty, intelligence, proven success.

6. Source recommendations from peers, your accountant or lawyer.

7. Target 3 or 4 members.

8. Meet your candidates and use a “two-way” interview.

9. Share openly.

Logistics 10. Set term limits, typically 3 years.

11. Stagger the terms so that one member rotates off every year.

12. Frequency of meetings – typically quarterly.

13. Set meeting times in advance – stick with the dates.

14. Typically meetings are 3-4 hours.

Meetings 15. Consider the agenda carefully, it’s sometimes hard to balance between “steering the boat” and “rowing.”

16. Consider a business update; followed by one or two key discussion topics.

17. Don’t record minutes, but brief action items.

18. Consider starting the meeting with an update on action items from the last meeting or why not) and ending with “did we focus on the right issues today?”

19. Distribute an agenda and “pre-read” materials ahead of the meeting.

20. It’s your responsibility to keep the BOA out of the weeds – it’s okay to say “stop.”

21. Host a lunch/dinner meeting *before* the first BOA meeting – so that members get to know one another and learn about the company, e.g. company history, 3-year financial statements, budgets, organizational charts, business philosophy, strategic plan, family involvement.



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Owner 22. Prepare for meetings well in advance, use the board, be honest with them.

23. Don't be offended at BOA suggestions.

24. A drained feeling after the meeting is okay.

Compensation 25. Cover any travel costs.

26. Typical fees range from \$500 to \$1500 per meeting.

Other 27. Consider confidentiality and indemnification agreements or include this in the board governance guidelines.

28. Evaluate board performance; hold the BOA accountable.

29. Respect your board members, keep them informed in-between meetings (carefully, remember you want their help steering the ship, not rowing the boat or don't over-communicate).

