

Advisory Boards

Experienced guidance for strategy & growth

by: Mark Perlo, Sales Growth Partners

As the former CEO of a managed services firm that was acquired by a Fortune 100 company, I can say without hesitation that having an advisory board was one of the most beneficial decisions I made. I strongly encourage all managed services firm owners and CEOs to implement advisory boards as soon as possible. In this article, I will tell you why.

Growth in private small and middle-market companies is often constrained by the lack of “diverse experience” in the company. Often, the company is comprised of managers who share the same experiences, knowledge and skill sets. While this can be beneficial for the growth of a company, it also fosters the concept that “if you always do what you’ve always done, you’ll always get what you always got.”

It is estimated that less than 5% of small and middle-market companies have established advisory boards. The primary reason for such a low percentage is that small and middle-market business owners and CEOs believe they are smart enough to succeed without advisory boards, think they are too expensive or believe advisory boards would constrain their decision-making abilities.

With the demands on CEOs — including ongoing change, pressure from family and other founders, the rise of new competitors and business models, and the need to transform businesses at an ever-quicken pace — it may be time for you to get some help and enlist an independent advisory board.

Not convinced? In a recent survey conducted by Statistics Canada, private companies with advisory boards experienced the following results:

■ **Increased Sales Growth** — In the first three years after an advisory board was set up, sales grew 66.8% compared to growth of 22.9% in the three previous years.

■ **Strengthened Productivity Growth** — In the three years after the advisory board was set up, productivity rose an average of 5.9% compared to 3.2% in the previous three-year period.

Here’s a closer look at why small businesses should consider this strategic asset.

(1) Diverse Expertise — Small business owners typically wear multiple hats, managing various aspects of their



operations. An advisory board brings together individuals with diverse expertise, covering areas such as finance, marketing, legal and industry-specific knowledge. This collective wisdom provides a comprehensive perspective that can prove invaluable in decision-making.

(2) Strategic Insight — An advisory board contributes strategic insights that can guide a small business through critical decisions. Whether it’s market expansion, product development or navigating industry trends, the advisory board offers a sounding board for ideas and helps formulate well-informed strategies.

(3) Networking Opportunities — Advisory board members often bring extensive networks to the table. These connections can open doors to partnerships, collaborations and potential clients. Leveraging the networks of advisory board members can be a game-changer for small businesses seeking growth opportunities.

(4) Risk Mitigation — Running a small business involves inherent risks. An advisory board drawing from diverse experiences can help identify potential risks and devise risk-mitigation strategies. This proactive approach enhances the business’s ability to adapt to unforeseen challenges.

(5) Objective Guidance — An advisory board provides an external, objective viewpoint. This impartiality is crucial, especially when dealing with sensitive internal matters. The board can offer constructive criticism, encouraging the business to address weaknesses and capitalize on strengths.

(6) Talent Development — Small businesses often struggle with talent development and retention. An advisory board can provide guidance on effective human resource strategies and help the business attract and retain top talent. This input is particularly beneficial for creating a positive workplace culture.

(7) Long-Term Planning — Small businesses sometimes get caught up in day-to-day operations, neglecting long-term planning. An advisory board assists in creating and executing a robust, long-term strategy, aligning the business with its goals and ensuring sustained growth.

Advisory boards are not peer-to-peer groups, consultants or boards of directors. These resources are generally limited in scope:

- Peer-to-peer groups are comprised of like-minded business owners who do not usually provide the “been-there, done-that” expertise.

- Consultants focus on instant action, and addressing current and specific problems.

- Boards of directors are constrained by their fiduciary responsibilities.

Your advisory board can also help improve your personal ROI. Look to your advisory board to help you expand your leadership and managerial skills. A properly selected group of advisors can help anticipate and avoid costly mistakes.

Most small business owners expect to eventually sell their firms or merge with other companies. Planning your liquidity event can be complex and daunting. The right advisory board can help you prepare and execute the transaction, helping you achieve the best possible return. After all, isn't that why you created the business in the first place?

If you are not planning to sell, but want to transition your business to an employee, family member or eventual

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successor, an advisory board can help address sensitive issues like sibling rivalry and individual agendas. Advisory board members can also help evaluate the candidates' capabilities for succession planning and facilitate communications. Advisory boards remove emotion from the decision-making process and smooth leadership transitions from family to professional executives.

For entrepreneurs and business owners to be successful, investments in their businesses must be made. Advisory boards are typically a modest investment that can run as little as one-tenth of 1% of annual revenue.

In conclusion, establishing an advisory board is a strategic decision that empowers a small business owner with a wealth of knowledge, experience and connections. It serves as a compass, guiding the business through challenges and positioning it for long-term success in today's competitive business landscape. ■

Mark Perlo is president of Sales Growth Partners. He offers a track record of achievement in creating a strategic vision, driving change and developing/motivating high-performance teams that deliver multiyear, multimillion-dollar results. Perlo is a business analyst and customer-focused executive with a proven ability to start new enterprises and turn around underperforming operations. A subject-matter expert in building and managing teams, sales management and sales processes, he has vast executive experience with a Fortune 500

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