

# When Two Boards Are Better Than One

Need expertise in a specific area but don't want to crowd the board with specialists? Consider an advisory board.

By Susan Stautberg

Establishing a corporate advisory board can be an effective and inexpensive way to help executives build bridges to new technologies and ideas.

At larger companies, advisory boards can inspire innovation by offering a fresh perspective. They can push younger companies to new frontiers by helping to build relationships and by providing a cost-effective way to import critical skills outside a company's traditional competencies.

Advisory boards are comprised of outside experts who bring a niche set of skills or expertise and take some of the burden off the public board of directors. They can help organizations manage change; advise companies that are repositioning or reinventing themselves; make informed decisions on technology, innovation, design, and sustainability; and develop new strategic positions and alliances to expand globally. Unlike traditional corporate boards, which may be consumed with governance issues, advisory boards give non-binding advice, possess no fiduciary or legal responsibilities, serve at the company's discretion, and are more flexible in size, composition, and length of service. The practice, generally, is for each adviser to serve a one-year term, which provides the leverage to change advisers as

needed without drawing media and analyst attention.

Among the primary benefits of serving on an advisory board is the development of intellectual and social capital. Advisory boards bring this capital together efficiently, inexpensively, and with focus. The counselors can concentrate on giving sound advice—both on strategy as well as execution. The right people, with the right background, knowledge, and diversity can give an enterprise real connectivity to its customers and constituents. And without the legal context of the board of directors, advisory boards can make their recommendations informally.

For many companies, an advisory board can provide a level of talent they might not otherwise be able to afford. Highly placed executives, who do not have the time or are unwilling to assume the liabilities of a traditional corporate board, find that advisory boards are an attractive option. Coming from different businesses and industries, the advisers are in a unique position to visualize possibilities synthesized from insights and technologies used in other industries. As Peter Drucker said, "The future has already happened in some other industry or part of the world. It's the job of the executive to bring that future to their

company." (See "Drucker in the Boardroom," page 36.) Advisory boards can act as global ambassadors to the future.

For Envision, MicroNets, Stratco and other smaller companies that have created such boards, advisers can open up their networks to provide access to investment bankers, venture capitalists, and individual investors. Advisers provide technical expertise in key areas such as operations, industry trends, financial performance, risk, strategic alliances and partnerships, global expansion, technology, and reinventing or repositioning the company in the world economy.

## Targeted Help

The newest trend is to create an advisory board to address a single issue, such as design and innovation, sustainability and the environment, family ownership, global divisions, and specialized markets like those related to gender or age. Procter & Gamble is a pioneer in this practice, focusing on design and innovation. While there are many different strategies employed in CEO A.G. Lafley's heralded turnaround of P&G, one of the largest companies in the world, the Design Advisory Board (DAB) and critical outside thinking from a multitude of sources have played a key role.



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## In Practice | Advisory Board

Selecting the right board members from diverse backgrounds is tremendously important. "We wanted to create a network of people who are thinking about P&G," explains Claudia Kotchka, senior vice president of Design, Innovation, and Strategy, "and we treat them like family." Members, described by Kotchka as leaders in the design field, hail from a variety of disciplines and include top designers, academics, and corporate executives.

P&G's DAB has become a resource to teams within the company grappling with myriad design and consumer experience issues. Brand teams present problems to

posed of academics, former government officials, and other environmental experts to provide creative thinking on the topic. These insiders can provide valuable perspectives on current and emerging issues on a global level. Reaching out to well-connected experts beyond an executive's comfort zone can also provide feedback and early warnings on complaints before protests or hostile campaigns are launched. An increasing number of multinational companies, including Coca-Cola, Dow Chemical, DuPont, Holcim, General Electric, Unilever, and Weyerhaeuser have or are creating EABs.

a year to provide guidance to the foundation on sustainable construction.

### Welcome to the Family

To survive and thrive, family-controlled companies need fresh ideas. An advisory board can be just the vehicle to jump-start original thinking by infusing new perspectives into the business. A council of diverse outside experts can show families how to overcome inherent vulnerabilities and to navigate around pitfalls—including sibling infighting and hidden agendas that cause two-thirds of family businesses to fail after the first generation, and three-quarters to fail after the second generation. The major problem is often the family itself and the transition of leadership from the entrepreneur to professional managers.

An advisory board can facilitate communication between generations by taking the emotion out of the decision-making process, realistically assessing family members' skills and strengths, and monitoring succession and ownership transitions. Coming from different industries with many years of management experience in their respective fields, advisers are in a unique position to determine who has the skills that fit a particular position now and in the future.

Family-owned companies that use advisory boards include Crowley Maritime, The McClatchy Co., Chronicle Publishing Co., Levi Strauss & Co., Shorenstein Co., Altria, and Boardroom Inc.

Like family businesses, large divisions of global companies can also become quite insular. CEOs of global divisions, despite the size of their companies, cannot have their own boards of directors, so many turn to advisory boards to seek counsel.

Sandra Peterson, president of Bayer HealthCare, Diabetes Care Division, one of the largest self-test diagnostic businesses in the world, supporting customers in 100 countries, uses an advisory board to con-

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the advisory board, which then passes on ideas to the teams that address such areas as product design, strategy, markets and execution. The DAB also provides long-term thinking and big ideas relevant to a category or the organization as a whole. Not surprisingly, there is a waiting list for brands that want to solicit the group's expertise.

Some companies have built advisory boards to help them address such issues as global warming and alternative energy sources. Environmental concerns now hit major companies from every angle—regulatory, legal, public, and investor and customer relations. Executives and corporate directors need to know what the issues are and how they will affect strategy. Forming an Environmental Advisory Board (EAB) is an effective method of obtaining these insights.

Innovative companies gain an "eco-advantage" by creating advisory boards com-

Building bridges with the environment and with the concept of sustainable development can be achieved by different means.

Coca-Cola's EAB was formed after a series of high-profile environmental problems concerning water use in India and refrigerants in advance of the 2000 Olympic Games. Former CEO Doug Daft created an EAB with experts from nearly every continent. Daft understood, as does his successor, E. Neville Isdell, that when you are the guardian of one of the world's most respected brands, environmental mistakes can be extremely costly. With a committed CEO, the EAB examines and provides guidance on present and potential challenges.

Holcim, a cement company with operations worldwide, addresses environmental issues via the Holcim Foundation. A small, diverse and multicultural EAB meets once

duct benchmarking, improve technology, and expand networking opportunities. Peterson and her C-level team have also relied on the advisory board to provide guidance on entering new markets. The division has advanced its cause by building a high-quality internal team to work with the outside experts on recruitment, retention, and utilization of global talent.

The Bayer Diabetes Advisory Board is comprised of well-connected leaders and executives from a variety of fields. Realizing that global markets for products and services are increasingly interconnected and competitive, Peterson and her leadership team send out comprehensive briefing books ahead of time and then use the meetings for brainstorming. The free-wheeling discussions have ranged from trying to identify and anticipate global and U.S. concerns likely to arise in the coming decade, to counseling Bayer on marketing and design, negotiating in foreign cultures, and understanding consumer experiences. In between meetings there are subcommittee conference calls.

### Women's Advisory Boards

A number of industry leaders such as Avon, CIGNA, Swissôtel, Avis Rent-A-Car, Coors Brewing, Northwestern Mutual Life, Key Bank, PNC, and Goldman Sachs have created Women's Advisory Boards (WABs) to help them address the specific needs and wants of their female customers.

The up-and-coming trend is councils that concentrate on women ages 50 to 70, a highly educated and influential generation. Between 2006 and 2016, the adult population in the United States will grow by 22.9 million people. Of these, an astonishing 22.1 million will be age 50 or older, and more than half will be women. Moreover, these women will head households with plenty of disposable income and they will decide how it is spent, saved, or invested.

These heads of households own up to 79

percent of all financial assets in America. They control 80 percent of all of the money in savings accounts and 66 percent of all the dollars invested in the stock market. There will likely be more advisory boards targeted towards this important group because of its tremendous and unparalleled buying power.

### Following the Roadmap

Good thinking and sound judgment are

among the keys to providing appropriate roadmaps and to ensure that leaders don't under-imagine the possibilities for their companies.

An advisory board composed of people with a wide range of expertise and from diverse backgrounds who seek to expose the positive as well as the negative aspects of major decisions can be a competitive advantage and help build a company's visibility, credibility, and revenues. **D**

## Advisory Board Creation and Success

**Mission:** The purpose of an advisory board should be clearly stated.

**Mandate:** In order to be effective, this initiative must derive from and report to the CEO or C-level officers. The board and its mission must be perceived to be integral to the strategy of the company. The CEO should be present as much as possible and maintain a high profile in support of the advisory board.

**Members:** The person leading this board internally should report to the CEO and should be highly respected within the organization.

**Homework:** Give the advisory board members simple ways to get ready for the meeting: for example, reading a succinct brief on a problem to be discussed or going into the market to get smart about the context of a category to be presented.

**Preparation:** Those who manage the advisory boards within a company are critical to its success. Preparing the agenda and assigning individuals to participate on the team are critical steps if ideas are to turn into action. For instance, at P&G a "sponsor" is assigned to each brand

team to help the group prepare for its presentation to the Design Advisory Board.

**Presentation:** Presentations should be well edited, free of jargon, concise, and designed to stimulate thinking rather than to get buy-in. Questions can be more important than answers.

**Participation:** When the intention is to spark new thinking that translates into the real activities of the company, it is critical that team leaders and key "doers" are equally represented in the room. The richness of the thinking and conversations at an advisory board meeting are as important as the actual recommendations. Leadership needs to be in sync with those who will be expected to take action. They need to share the experience.

**Follow-up Notes:** Key points and action items should be distributed immediately after the interaction to make sure everyone agrees on what they heard and experienced. Then, as projects and activities progress, teams should check back in. At its best, this activity should stimulate an atmosphere of collaboration and openness that will carry over into the team interaction on a regular basis.

