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# COMPANY BOARDS: A GUIDE

By Sally Mitchell-Wolf & Krysta Fox

An Advisory Board Gives Your SME a  
Performance Advantage



**changeosity**  
Creating Better Leaders. Creating Better Organisations

# An Advisory Board Gives Your SME a Performance Advantage

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*"Thanks, see you next time."*

*Mohammed watches for a moment as the board members walk out of the co-working space and then pauses in the middle of shoving the receipt in a pocket. 'I must remember to give that to Maria for the end of month expenses this time'. This time.*

*Mohammed knows larger, successful companies have boards, it's a sign of a serious and successful business, after all! Other leaders he has met through SME networking events talk about boards and governance sagely. Those just departed friends are very supportive of his entrepreneurial efforts and seem to like the prestige of being a Board Director, and, while Mohammed appreciates the enthusiastic response to his vision and plans, he finds there is a question creeping in: 'What's the point?'*

*Is this how a real company board runs? Nods and enthusiasm but no tricky questions, no deep dives, no real agenda? Mohammed admits to himself that it's starting to feel like 'board meetings' don't add real value.*

*He sighs, uncrumples and carefully folds the receipt before placing it in his diary, fully intent on passing it on to Maria this time. After a quick check of messages and the schedule for the afternoon which include an exciting meeting with a potential collaborator for the new product line, Mohammed leaves the café with renewed energy in his step.*

## Does a board stymie entrepreneurial creativity?

Understandably, company founders and entrepreneurs are more likely excited by and passionate about discussing their product and vision than the dry and, perhaps, enervating aspects of business which are grouped under the title 'Governance'.

While the idea of companies having a Board of Directors is widely familiar, it may seem to CEOs and managers of an SME that to implement one would be time consuming, pose a threat the founder's

autonomy and decision-making power, and be of unclear benefit. Thus arises the misunderstanding that a board is something that only large multinational companies really need.

“Starting and running a business can be a pretty lonely affair, especially when there are hard decisions to make. What I've loved about having a board is the ability to lean on the expertise and experience of my board.

It's definitely helped me make better decisions.

**Stevi Lowmass**  
Founder & CEO The Camel Soap Factory

In fact, research demonstrates that a Board of Directors established with care and deliberate intention, at the right time, has a significantly positive impact on “company vision, innovation, risk management and profitability” (BDBCA 2014) and the success of SME and family businesses.

Further, as stated by the OECD (2015), ‘there is no single model of good corporate governance’ and so it follows that a Board of Directors can take various forms, have varying levels of control and fill a range of functions as befits the needs of a business and its maturity.

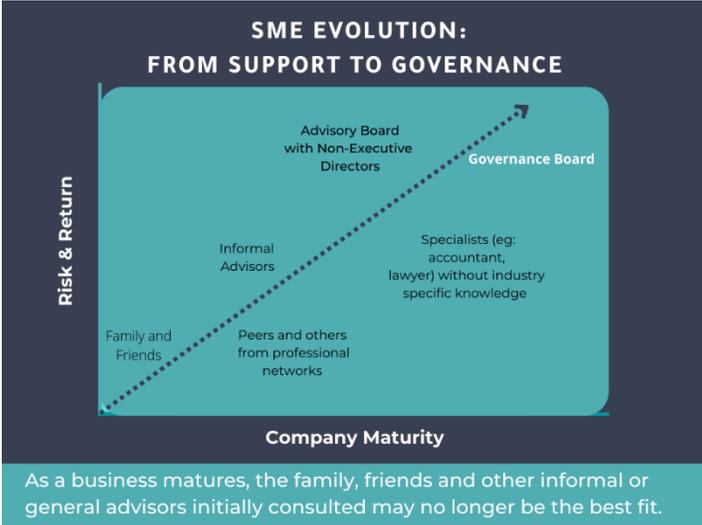
On balance, the benefits yielded by having the right board greatly outweighs the associated efforts required.

**What is the purpose or function a board?**

As part of corporate governance, a Board of Directors contributes to the provision of structures through which the objectives of the company are set, and the means of attaining those objectives along with monitoring performance.

The OECD ‘Principals of Corporate Governance’ states:

*The board should fulfil certain key functions, including reviewing and guiding corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.*



A large public company will have an executive board with an ‘Agency’ function, including strategic and other decision-making capacities. This kind of board ensures the interests of shareholders and other stakeholders are balanced with the day-to-day actions of management and the functioning of the company. (McClarty et.al. 2020)

Such a board may have sub-committees and will be involved in formalising significant business decisions and ensuring audits and financial reporting. There will likely be opportunities for shareholders and others to participate in some capacity, through mechanisms such as an AGM.

Conversely, the needs of an SME or family business differ according to the stage of growth. A board formed along the principals of a non-executive Advisory board can be a valuable source of expertise and advice giving, providing comprehensive and complementary knowledge where the in-house knowledge is scarce. The board will help the SME achieve a roadmap of improvements.

**Does an SME or family business need an Advisory Board?**

The short answer is YES! The benefits that a board can bring are many.

While it may be simplest to set up a management board composed entirely of 'insider' company executives, an Advisory board which includes qualified 'outsiders' can act as a sounding board, encourage consideration of alternatives, support successful navigation of unfamiliar situations, develop capacity to meet new demands and astutely grasp new opportunities, all while preserving the senior management and owners' responsibility and power for decision making.

**What to consider when determining the qualities and experience you need on your board?**

As a "unitary" board, ie: one which brings together executive and non-executive members, a business owner and CEO can benefit from the independent, objective advice of an Advisory Board. However, in establishing such a board, it is imperative to determine the needs to be met.

activity of the company. It may include HR, IT and HSE knowledge. Boards members can also support the CEO through their experience of expansion, acquisitions, risk-management and even assist in planning for succession. In some cases, it may be critical to bolster missing knowledge or access to a particular industry or supply-chain.

**DOCUMENTED BENEFITS OF SME ADVISORY BOARDS**

- IMPROVED STRATEGIC DECISIONS
- ACCESS PERTINENT SPECIFIC KNOWLEDGE
- REASSURE STAKEHOLDERS & RAISE REPUTATION
- SUCCESSFULLY MANAGE RISK & SUCCESSION
- ACCELERATE SUCCESS

Research shows an effective Advisory Board supports an SME through volatile periods and contributes significantly to performance and growth.

*An Advisory Board which includes 'outsiders' can act as a sounding board...while preserving the owner's responsibility and power for decision making*

Areas for consideration may include financial, or specialist knowledge for navigating applicable laws pertaining to the industry and

The specific needs of the individual SME or family business need to be considered and non-executive independent ‘outsider’ directors who have specific skill sets and expertise selected and consequently appointed.

Drawing on resources provided by government and other organisations or engaging the bespoke services of a consulting firm providing advisory services to leadership can be a significant help in this stage. Such assistance can also encompass the fundamentals of running a board professionally, down to formalities such as keeping appropriate records which can be imperative for meeting Economic Substance Reporting obligations.

In some circumstances, inclusion of directors who are high profile and influential individuals can and have the effect of further professionalising the board (McClarty et.al. 2020) and increase the legitimacy and reputation of a company. (Arosa et. Al. 2013) Such appointments may also bring strategic networking opportunities and access to identified resources needed as the company grows. For example, transparent, well-structured governance can reassure banks and other financiers when an SME seeks new capital.

**How can governance help with the challenges encountered in a Family-Owned business?**

While family members often have an important role to play in the business and its success, challenges in separating the company’s needs from the family’s need



Since forming an advisory board, I think differently. I behave differently. I listen more. As a result, my leadership has improved.

**Marie O-Neill**  
Managing Director EER

may interfere with the family business” (Dubai SME, n.d.) In situations where founders and family members view company assets as belonging to them and seek to remove those assets, including cash, such an action can impact the health of the company and threaten its viability. (Cloyd, 2014) Thus governance becomes as important to the company’s success as it is to the wealth of the founder and future generations.

As a family business matures, an independent Board of Directors can ask questions about how the company’s assets and profits are used and help moderate discussions about the appropriate level of dividends for shareholders, including family members. (Cloyd, 2014)

A family constitution which sets out the family’s vision is a recognised and effective governance mechanism which is recommended. Such a document details policies which regulate the relationships between the family and the company and establishes clear lines of authority and processes of decision-making, employment and clarifying the separation of the family business including in relation to fiscal matters. (Dubai SME, n.d.)

For a more complex family business and where it spans generations, establishing a

family council as part of governance is recommended to institutionalise cooperation and provide an appropriate “forum for keeping all family members informed of developments in the business and allowing them to voice their opinions” (Dubai SME, n.d.).

**Okay, what are the ‘do’ and ‘don’t’ essentials when establishing a board?**

While the composition of an Advisory Board will vary according to company and industry, the importance of always having someone who can chair an audit committee that oversees the CFO and the financial side of the operation can not be understated. (McClarty et.al. 2020) For an SME, the most realistic and practical application of that advice is to have a non-executive advisory board member with financial nous.

Further, knowing diversity improves the quality of ideas, insights and decision-making, it is important to consider not only diversity of experience but also diversity, across gender, race, culture, socioeconomic and geographic diversity when appointing insider and outsider directors. (McClarty et.al. 2020)

Taking that one step further, it is recommended to build Work Role diversity around the table ensuring that boards achieve a more balanced approach to thinking and decision-making. Identifying the eight preferred Work Roles and ways to leverage those in various ways within your organisation, will be the subject of a forthcoming Changeosity Insights article.

Do	Don't
<ul style="list-style-type: none"> <li>• appoint individuals with appropriate, independent, expertise</li> </ul>	<ul style="list-style-type: none"> <li>• gather ‘golf buddies’, friends and others beholden in some fashion (compromising independence)</li> </ul>
<ul style="list-style-type: none"> <li>• ensure each board member is clear about their specific role</li> </ul>	<ul style="list-style-type: none"> <li>• Overlook including someone with the skill set required to chair</li> </ul>
<ul style="list-style-type: none"> <li>• create diversity</li> </ul>	<ul style="list-style-type: none"> <li>• stymie the potential for production of diverse ideas with a mono-culture</li> </ul>
<ul style="list-style-type: none"> <li>• consider interpersonal and soft skills of board members to allow for healthy debate</li> </ul>	<ul style="list-style-type: none"> <li>• tolerate unhealthy disagreement and powerplays between directors beyond the boardroom</li> </ul>
<ul style="list-style-type: none"> <li>• have a succession plan that supports family members in gaining experience</li> </ul>	<ul style="list-style-type: none"> <li>• appoint insider members with limited business experience, even if they are family and recent graduates</li> </ul>
<ul style="list-style-type: none"> <li>• produce an agenda, take minutes &amp; record and track decisions</li> </ul>	<ul style="list-style-type: none"> <li>• meet in an adhoc or irregular manner</li> </ul>
<ul style="list-style-type: none"> <li>• provide directors with quality information to inform discussion and recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• allow board members to show up unprepared</li> </ul>
<ul style="list-style-type: none"> <li>• have a manageable size for effective functioning with a balance of ‘insiders’ and ‘outsiders’</li> </ul>	<ul style="list-style-type: none"> <li>• have an even number of directors on the board (odd numbers ensure any necessary vote will not be split)</li> </ul>



There are boards that revel in gossip, big-note, speak incessantly, shout, agree with the Chairman (always), and there are boards that review the data, ask insightful questions, dig into the culture, respect different viewpoints, and make well thought through recommendations based on emotional maturity and strategic thinking – I know which board I want to be on.

**Krysta Fox**  
Founder & CEO Changeosity

### How to tell if a board is performing well?

Establishing a board is not a matter of ‘set and forget’. For boards to effectively fulfil their responsibilities they must be able to exercise objective and independent judgement. However, once established, a board and its performance should be

reviewed periodically. This involves a review comprising business results, self-assessment and peer feedback. Board effectiveness can be broken into two dimensions of Growth and Discipline, which comprise four focus areas of Strategy, Leadership, Governance and Logistics.



### What options are there for accessing the benefits of a board?

Implemented properly, having a Board of Directors is a significant time commitment. But it’s also an investment that repays many times over given the value of the insights that are drawn from the board. Good governance leads to better business outcomes. (McClarty et.al. 2020)



Sustainable business performance can be greatly enhanced through a well-structured, expert-empowered, toolkit-rich, and digitally-enabled approach such as 'Your Board powered by Changeosity'.

providing SMEs with a truly effective way of professionally managing a board and allowing them to access the massive benefits large corporations gain without unnecessary complexity.

This program strengthens strategy, leadership and governance through

*With the clink of glasses coming together, Monique and Khaled celebrate their deal. Monique's company has just made its second acquisition in 18 months, continuing the growth, both organically and through acquisition, by just over 200% in three years.*

*Monique's mind drifts four years back to the days when decisions like this were made 'on-the-fly' with no analysis, lots of (false) confidence, and a big dose of hope. While she recalls successes, she also remembers several heart-wrenching, sleep-deprived nights when the impact of ill-conceived, poorly planned, too-risky 'entrepreneurial' decisions almost killed the business. Before she established a strategic advisory board, the business was making money, but it didn't feel sustainable and that the ad hoc approach to decisions could, without warning, sink the ship.*

*She's jolted back into the room with another "Cheers!" and her smile widens as she watches her team enjoying the fruits of their hard work and discipline.*

*This acquisition is still scary, of course, but it is based on strategic alignment, a proper business case, financial analysis, careful cash-flow management, a proper due-diligence process, and a consistently executed project plan.*

*Responding to another "Congratulations, Boss!" from one of the team, Monique relaxes and enjoys the feeling of pride that comes from better, disciplined business decisions arising from the much-improved strategy, leadership and governance that has come from the wise-counsel of the advisory board.*

### **WANT TO LEARN MORE?**

If you're curious about exploring this topic and are a leader of an SME or family-owned business who is ready to step it up and reap the benefits of an Advisory Board, contact us! Changeosity helps leaders like you to dramatically improve the governance of their organisations.

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**A strategic board has a view  
of looking ahead, an insight  
to look deeper, and  
competency to look beyond.**

Pearl Zhu