



Ask Your Real Experts for Advice: The Value of Advisory Boards

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*(First published as **Forming Advisory Boards Can Lead to Better Company Knowledge**
in *The Tampa Bay Business Journal*, April 8th, 2005)*

In the competitive environment there is never a good time for a business to rest on its laurels or assume that it has “made it”. For those in leadership roles, the most valuable information about the marketplace and the organization is rarely the flattering reports that underlings deliver, or the testimonials that laud successes. Instead, pitfalls, failures, weaknesses and areas of inferiority are the greatest clues to how to get to the next level.

Getting that information can be tricky. In an organization of any size bigger than a handful of people, the executive team is somewhat insulated from the complaints of customers, the changes in the sales environment or the shifts in market paradigm. Furthermore, the nature of any hierarchy tends to reinforce the natural tendency of subordinates to try to please those above them. Even though those subordinates may think they are being honest, the really nasty truth is usually somewhat “prettified” for the top boss. Because of these factors, its can be difficult to find out about subtle shifts or even pronounced failures until it is late and the results have shown up on the balance sheet. Since financial results are “lag indicators”, failures might have been averted if only someone had changed direction earlier. One way that companies are dealing with the need for the brutal truth is by forming advisory boards whose purpose is to provide real-time feedback that can be used.

Andy Groves, CEO of Intel points out in his book “Only the Paranoid Survive” just how detrimental it can be to gain this kind of knowledge too late. When Intel’s Pentium chip nearly failed because of a failure rate of once in every 32 years of calculations it was a shock to the executive team. They had believed that the failure rate was so low and applied to so few actual customers that it was tolerable. The market disagreed and it nearly cost the company its future. Had they convened an advisory board of end-users and retailers during the development phase they would never have released the product with that problem.

The purpose of advisory boards is to provide real-time feedback that can be used. In my own consulting practice I have been involved in the formation and methodological design of such boards four times in the last year alone. These organizations are smart to develop their ability to gather, hear and utilize constructive criticism early enough to make a real difference. One of the companies that is currently launching such a process is the Tyco subsidiary SimplexGrinnell, recently merged of Simplex and Grinnell Fire



Protection, and specializing in fire sprinklers, alarms, and related infrastructure. In order to be more competitive, they are spending the time and money to convene representative groups of stakeholders for periodic retreats where they will gain insight into how they can improve their entire operation, from the beginning of the selling process through the entire service relationship. They see the expense as being small compared to the value of troubleshooting their strategy, product and personnel in far greater detail and with more opportunity to change it than they could ever do through surveys or by simply waiting until customers leave for a competitor.

Clearly, SimplexGrinnell is a large company with access to resources that smaller organizations may not have. But few companies are so small that they can't form an advisory board. For a smaller company the meetings needn't be retreats, but could be a group lunch instead, or an annual focus group with e-mail correspondence in between sessions. Of course, there needs to be something in it for the advisors. While they will enjoy participating, they should be compensated in some way. But that compensation can take the form of anything from a \$50 gift certificate to a weekend in Hawaii. The key is to follow some basic steps that will ensure that you get the brutal truth you want not just candy-coated flattery. These steps may help:

- 1) Try to get representation from all stakeholder groups. That could include current customers, vendors, employees and strategic partners, as well as former customers, employees or vendors. You may get the best feedback from the customer you lost!
- 2) Utilize a professional facilitator or consultant to design the process with you and to moderate conversations. Your advisors may not be entirely comfortable telling you negative things and may be more candid with a third party. Also, an outside party can be more critical in viewing the process and content, leading to more productive sessions.
- 3) Tie your board of advisor process into your strategic planning so that the data you collect can be used proactively to plan your next quarter, year or five years.

Finally, learn to love bad news, just like an athlete loves learning about why he lost the last game—so he can win the next one. Remember, the problems are there even if you don't know about them. So wouldn't you rather learn about and correct them before you find out the hard way, on your year-end financial results?