



Can the empty seats in your organization
make effective decisions?

Guide to Forming an Advisory Board

For over 65 years, Apple Growth Partners has committed itself to one unwavering goal—helping private companies grow their business. We contribute with accounting, tax and general business advice and have consistently promoted business advisory boards, discussing the advantages they bring to a company.

We assembled this material in an effort to serve our clients and friends interested in using advisory boards to support strategic business planning. Our experience shows that such boards can facilitate the decision making process of almost any company, big or small.

This material will briefly walk you through the concept, show you the steps and estimated costs to launch a board, and provide some materials that discuss critical issues of business growth. This guide, in conjunction with today's panel discussion, will illustrate how valuable an advisory board can be in addressing the decisions your company faces.



Fill your board with industry experts with whom you can “sound out” your ideas.



Start with the basics:

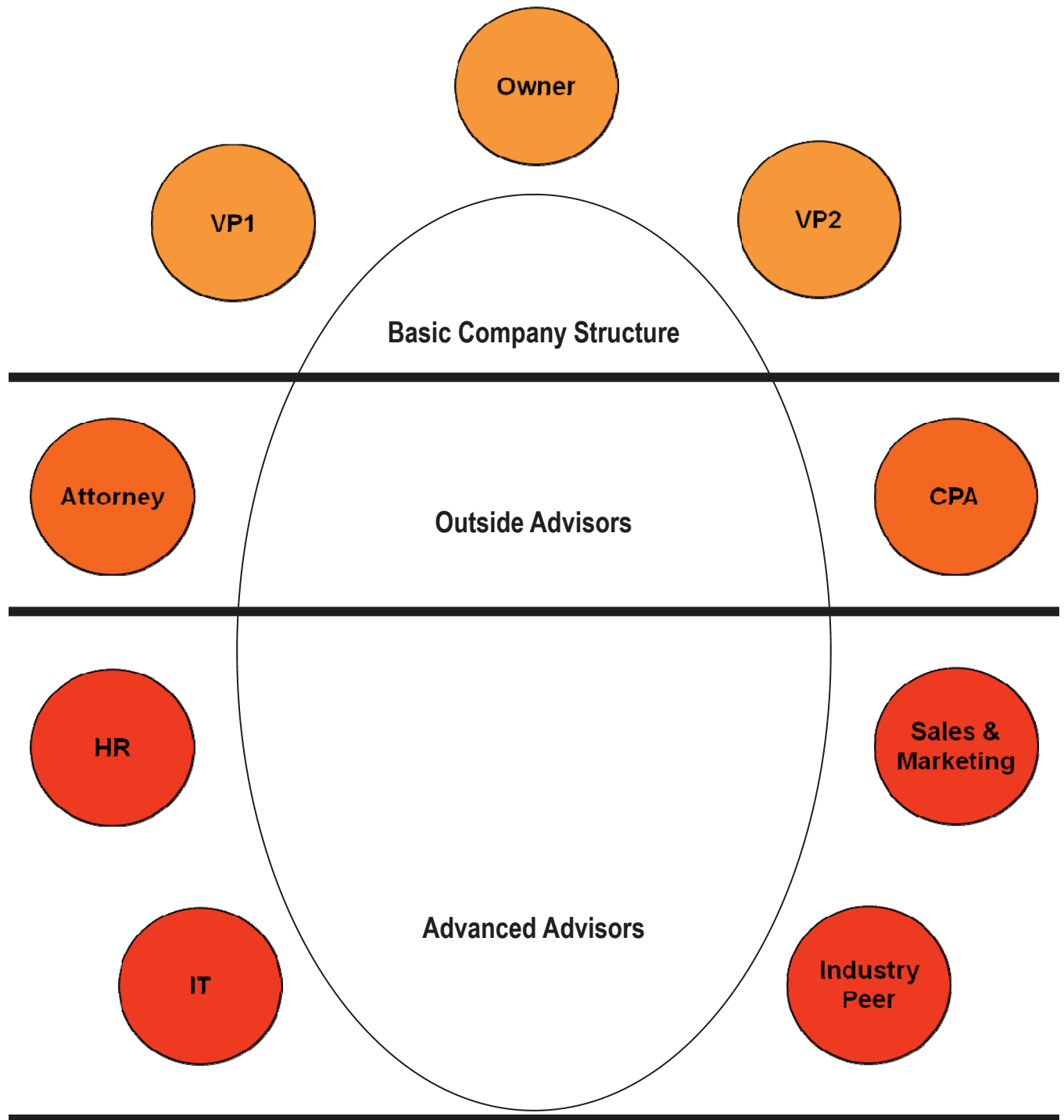
- ▲ Advisory boards, by definition, are not boards of directors and as such, do not have a vote, legal say or other control over your business decisions. Their input is purely advisory for your consideration.
- ▲ The best boards are comprised of talents that span the classic business spectrum: human resources, marketing, operations, administration, legal, finance and in some cases, technology. The selection of advisory board members, then, should be done in such a way as to fill the greatest areas of need, i.e., to supplement the skills of the management team. For instance, if the management team is strong in sales and production, you might look to fill the board with human resources, administrative technology and marketing backgrounds. Often, owners enjoy having a business peer in a non-competing industry serve to provide the “pragmatic” point of view.
- ▲ Boards of this nature are most effective if they meet with some frequency, such as quarterly or tri-annually. They typically do not have significant work expectations in between meetings. Compensation for advisory board members generally is structured in the range of \$100 to \$150 per hour for meeting time.
- ▲ One of the best outcomes experienced is the impact the advisory board meeting has on a Company’s management team. The impending meeting often serves as a rallying point to bring the management team’s planning efforts up a notch, as the various members of the management team will be called upon to report, not just to the same old face, i.e. the owner, but a formal board of advisors.
- ▲ The Board of Advisors does not replace the formal board of directors, which typically is composed of business owners, and often, their corporate attorney. The Board of Director’s agenda typically deals with the more formal corporate matters and does not often get into sales, marketing, operational or manufacturing details.

The following chart outlines the typical steps and costs in forming an outside Board of Advisors:

| Part I | Estimated Time | Estimated Cost |
|---|---|---------------------------------------|
| Formation and planning for an outside Board of Advisors | 8 to 16 hours | \$ 1,200—2,400 |
| Part II | | |
| Participation of the Advisory Board for the initial one-year term | 4 meetings x3 advisors at \$400 per meeting | \$ 4,800 total or \$1,600 per advisor |



Advisory Board: Sample Structure





Determining if your business is ready

We often hear the client question, “Is my company really ready for an Advisory Board?” The truth is, a board of advisors can be a critical piece of any business’ growth strategy. Certainly, the cost may be a deterrent for the smallest of companies.

The following pages, reprinted with the permission of Beale International, reflect the stages of evolution through which every business goes. The survey may help you decide the answers to these questions:

- ▲ Where is my company at in the phases of business evolution?
- ▲ What are our strengths? Weaknesses?
- ▲ Am I ready to assemble a team of advisors to facilitate growth to the next level?



Ask Yourself.

Do you have the qualities of a mature, financially stable, professionally managed business?

Market Niche and Product

CEO

- Does the company have a well defined leadership (CEO) role?
Yes No
- Does the company have an effective leader?
Yes No
- Does the leader understand his/her talents and blind spots?
Yes No

Management

- Are the key management positions right for the company's size and growth rate?
Yes No
- Are all the right people in key positions — management and technical?
Yes No
- Are the managers system oriented?
Yes No

Communication

- Are meetings productive and efficient?
Yes No
- Do managers receive productive feedback, coaching and training?
Yes No
- Are leaders and managers available to employees and customers?
Yes No

Systems and Information

Accounting

- Are accounting, financial performance reporting and control systems in place and working?
Yes No
- Are financial and non-financial performance information reports produced and used by key employees?
Yes No

Work Process Systems

- Are work process systems efficient and produce quality end products?
Yes No
- Is the difference between marketing and sales understood, and are systems for both in place and successfully working?
Yes No

Ask Yourself.

Do you have the qualities of a mature, financially stable, professionally managed business?

Market Niche and Product

Business Niche

- ____ ____ Is the company focused in a well defined business niche?
Yes No
- ____ ____ Do products and services fit the company's business niche?
Yes No
- ____ ____ Has diversification into unrelated businesses been avoided?
Yes No
- ____ ____ Are the leader and key managers externalized in their industry?
Yes No

Customer Service

- ____ ____ Is product and service quality continually evaluated and improved?
Yes No
- ____ ____ What constitutes superior customer service is clearly defined?
Yes No
- ____ ____ Is superior customer service continually practiced throughout the company?
Yes No

Money and Finance

Controllership

- ____ ____ Does the company have the effect of a strong controllership department?
Yes No
- ____ ____ Is the controller an integral part of the management team?
Yes No

Expense Control

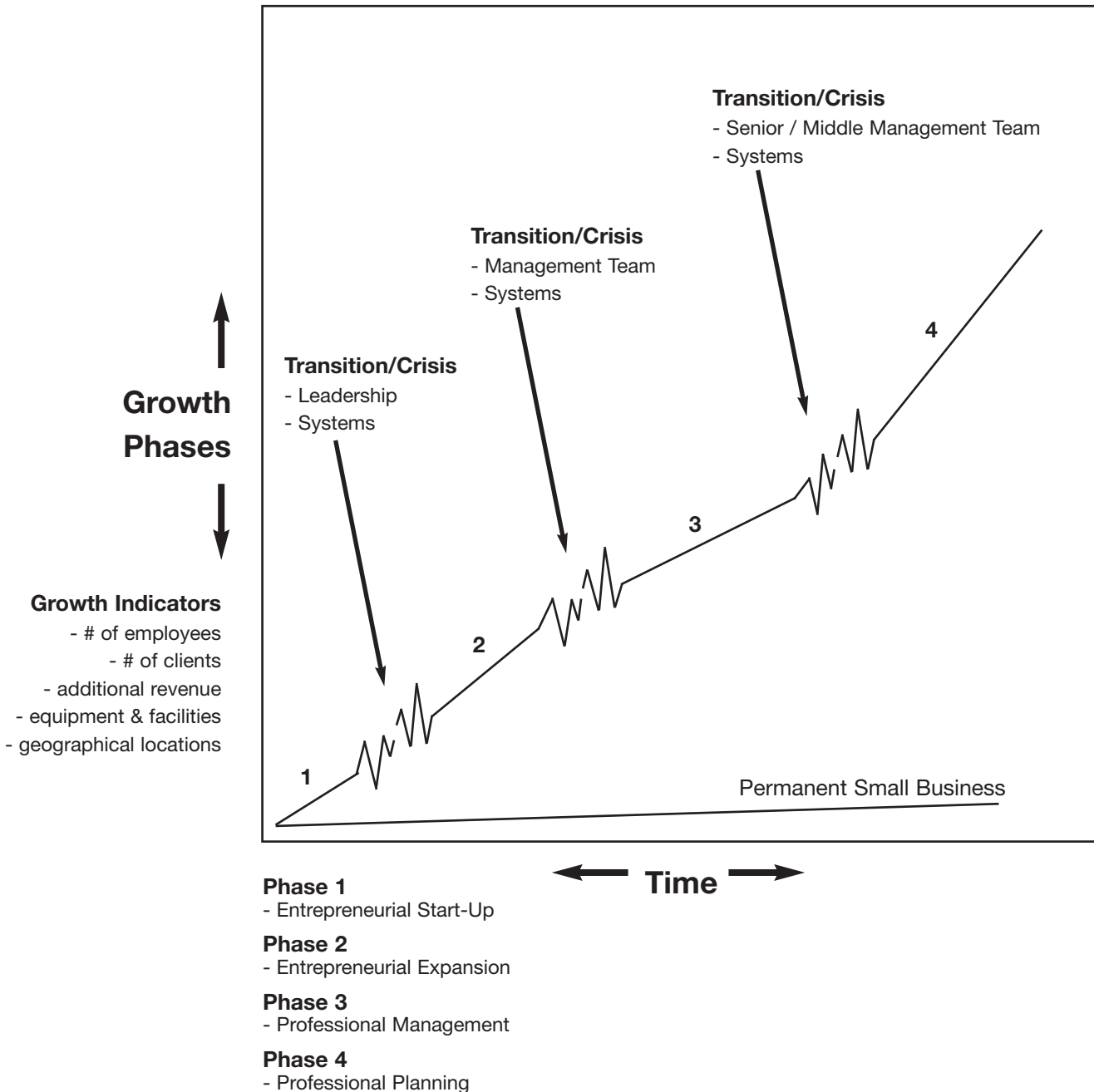
- ____ ____ Is budgeting successfully employed?
Yes No
- ____ ____ Are expenses closely monitored and controlled?
Yes No
- ____ ____ Are key performance measures established and performance monitored?
Yes No

Debt / Equity Management

- ____ ____ Are debt equity objectives established and performance monitored?
Yes No
- ____ ____ Is the company committed to minimizing if not eliminating debt capital in relation to equity capital?
Yes No

Business Evolution

The Phases of Business Growth



As small companies grow and mature, the need for radically different management practices increases.

Jump-start your Advisory Board with help from Apple Growth Partners

Step One: An Apple Growth Partners representative meets with you to prepare a preliminary agenda for the initial four meetings. We can assist in contacting and handling the arrangements for the initial meeting.

Step Two: We help conduct the first meeting, which is viewed as a developmental meeting. The initial participants are typically the owner(s), a facilitator from Apple Growth Partners, and the selected board members. Typically, three outside advisors are appropriate to initiate a balanced board of advisors.

At this developmental meeting, we out the first four meetings of the Board, which should take place on a quarterly or tri-annually. Each meeting would focus on a theme, such as finance, marketing, systems, or strategic planning. Once the theme is set for each meeting, based upon the relative order of importance, we then work out a specific agenda, wherein members of your management team would present their particular department or area.

We also reserve time at each meeting for special issues. These items would be the more immediate concerns that you would like to discuss and on which to receive feedback. We suggest that some time is also reserved for one long-range issue at each meeting.

Step Three: This initial or core Board of Advisors would then assist you in developing the long-range plan by suggesting additional candidates and/or positions, based upon what we learned during the developmental meeting(s) above.

Step Four: Communications are critical and are an ongoing step. During the initial developmental meetings, we prepare a communication piece to facilitate your internal communications regarding the purpose and goal of the outside Board of Advisors. As the board matures, annual internal updates are usually sufficient.

Our experience has been that forming these boards offers our clients tremendous value when the board is structured with the right mix of talents, is well organized and planned, and is followed up with timely communications.

We would be thrilled to have an opportunity to discuss this growth concept with you.

David J. Gaino, Chairman
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