

### Board of Directors: Friend or Foe?

*Why having a real, working Board beats having a Board in name only*

by **Garrett J. Sullivan**



All Hawaii corporations are required to have a Board of Directors, but not all Hawaii corporations view their Boards as an asset. Boards can be comprised of a number of people, but the law only requires one member to be named. As a result, most contractors list themselves as the Chairman and simply name a senior employee or family member as the other member. Under this scenario, the only real interaction tends to occur at the required annual meeting, and most issues on the agenda are approved without any meaningful discussion.

In my view, a Board of Directors is often a contractor's most unrecognized, under-appreciated assets. Why not expand your corporation's horizons by inviting new Board members who will stretch your organization? Instead of serving as a rubber stamp to your actions — or worse yet, doing nothing at all — the right Board members can help you grow your company exponentially.

The argument against having outside Directors (*i.e.*, non-employees or non-relatives) is the flawed perception that you, as the CEO, lose some measure of control. Many leaders resist the idea of answering to a higher level of authority or having to explain his or her decisions. At first blush, the thought of accounting for the company's performance may seem like a chore, but if you think back to some of your company's biggest successes, you will likely acknowledge that they were influenced by outsiders.

#### **Board of Directors vs. Board of Advisors Committee**

To mitigate concerns about control, a wise alternative to a traditional Board of Directors is a Board of Advisors Committee. This group performs the same functions as a traditional Board without the legal authority to vote on company matters or replace officers. Some advantages of

a Board of Advisors Committee is that it is solely responsible to you as the CEO (as opposed to shareholders). The group provides high-level counsel without having set term limits. If the arrangement isn't working, these members can easily be replaced without headaches.

Regardless of the structure you select — Board of Directors or Advisory Committee — you'll improve your company with the guidance of qualified, committed, and trusted advisors who neither work for you nor are related to you. A diverse Board – of either structure – sharpens you as the leader, encouraging the *Whetstone Effect*<sup>1</sup> which keeps you motivated and accountable. The right Board will provide informed advice in diverse areas of expertise, challenge your assumptions, and provide synergistic solutions to problems. In short, it will save you valuable time as you grapple with a number of management issues.

Having an independent Board is one of the secret weapons that propels average contractors into the elite membership of "Best In Class," which comprises the very top 25 percent of companies. If you properly schedule your meetings, you'll get the very most out of your members without impacting too much of anyone's time. In exchange for their expertise, your Board should be compensated. A typical fee of \$500 - \$1,000 is usually paid at the time of the meeting. The results more than pay for themselves.

### **Who To Choose? How Many Members?**

You want a Board or Advisory Committee to have enough people to allow for diverse points of view without too many voices at the table. A group of 4 – 7 members tends to work best. Before selecting your members, evaluate what skill sets you may be lacking on your management team and search for experts in those areas.

Once you have an overlay of the types of members you're envisioning for your Board, think about people you know and trust who you can plug into those slots. You'll want to be mindful of the overall group dynamic and ensure that you don't have personalities that are too dominating or, conversely, too agreeable. You want the right mix of people who can contribute their professional expertise – whether in accounting, sales, risk management, unions, etc. – in a thoughtful, intelligent manner conducive to a group setting. In some cases, you may want advice from a very strong personality who may not work well in teams. Consider using those types of individuals as paid private consultants or mentors.

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<sup>1</sup> A piece of stone, natural or artificial, used for whetting, or sharpening, edge tools. Source: Webster, 1913.

### **Agendas, Minutes, and Scheduling**

I recommend quarterly – not annual – meetings. This will feel like a major undertaking at first, but you will quickly discover that this effort pays real dividends. Plan and announce your meeting schedule a full year in advance to avoid last-minute shuffling, and distribute the agenda at least three days prior to each meeting. Quarterly meetings should last 3 - 4 hours with the expectation that each Board member should spend approximately one hour of preparation and expect phone calls and/or emails to occur between meetings as necessary.

As the CEO, you should arrive at the meeting prepared – not only with the right information and reports – but the right attitude. Be willing to be stretched and challenged. During your meeting, an atmosphere of candor and full disclosure should prevail, and minutes should be taken. E-mail those minutes – including the actions which need to be undertaken – to members promptly after the meeting, omitting any confidential or proprietary information until your next meeting.

For best results, your meetings should be facilitated by someone who has the ability to keep the meeting on track. The agenda should include major impact items for the company. This includes the previous quarter's financial results, a budget review, overall operations, and a project review with emphasis on any problem job(s). Major purchases being considered for the coming months should also be on the table. The meeting should close out with a mega-type issue such as succession planning, emergency completion plans, or a discussion about capital and cash retention. You may download my free Board Meeting Agenda template as a tool to get you started.

For deeper insight on this subject, I suggest reading 5 Steps to Board Success: New Approaches to Board Effectiveness and Business Success by Mark Daly. Additionally, I offer a free one-on-one consultation to help guide you through a Board restructuring process. You may also request a free, 30-minute presentation on this topic – or other mega industry-related issues – which I can present to your existing Board, management team, or employees, as appropriate. If you're ready to forge ahead in becoming the very best corporation you can be, give me a call.

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