Bringing Outside Voices In:
The Logic For Having An Advisory Board

by Patrick J. McKenna

There is an old saying that goes, it can be lonely at the top – especially if you are a busy managing partner trying to maintain a modicum of a personal practice while also charting a course for your firm's future growth.

How do you determine which direction the economy is going in and what that might mean to your firm next year; whether to embrace a new technology that certain of your major corporate clients have begun to invest in; or whether outsourcing might offer opportunities and risks that you have yet to consider?

You don't always have to go it alone or rely only on the intuition of your fellow partners. A good number of professional service firms have formed an advisory board to counsel the managing partner on various aspects of the business – everything from operations to planning for growth or enhancing client service.

Think about the last time you met with a group of business people and had an open discussion, sharing ideas and concerns. An Advisory Board is a formal version of this process. Unlike a one-time event, you might think of an Advisory Board as your own special management think tank. Participants can serve as your personal sounding board, a source of ideas and expertise - and give you honest advice. If properly constituted, your advisory board will be comprised of people with no axe to grind, and who want to listen and impart their wisdom.

Why else might you want an advisory board – how about to help stimulate some new and innovative ideas?

Martin Ruef, an assistant professor of strategic management, surveyed Stanford Business School alumni who had started new businesses to find out what lights their fire. He based his study on data from 766 entrepreneurs from a target group of 1,786, including some foreign entrepreneurs. The metrics for innovation included the introduction of new products or services; trademark or patenting activity; exploitation of a new market niche; new methods of production, distribution, or marketing; and industry restructuring. Ruef concluded that entrepreneurs who spent more time with a diverse network of business advisors and complete strangers—were three times more likely to innovate.

What might be good advice for enhancing your profitability? Cut the umbilical cord to the folks you normally communicate with. Mix it up. Seek out ideas from people you don't ordinarily talk to, do anything to get out and mingle more with folks from other professions. Broaden your horizons, and you just might come up with the next idea that sparks a boost in your firm's growth.

Ruef also found that people tend to be more creative and innovative when they are new to an industry. "I found strong evidence to suggest that the longer people have been in a particular industry the less innovative they are." Career tenure is not a bad thing necessarily, he points out, because extensive experience can contribute to more profitable business in other ways. "Veterans just don't come up with the creative ideas that can really spark the next big growth spurt." Dr Lester Levy, Adjunct Professor of Leadership at the University of Auckland, New Zealand, and CEO of the Excelerator Institute of Leadership, refers to the "paradigm paralysis" of organizations and industries which become captured by existing practices, and which fail to see emerging paradigm shifts which herald fundamental change.

One reason many firms haven't set up an Advisory Board may be because they feel they don't need the advice. You can't have an advisory board meet once and then say it didn't work. It takes a while for the board to click, and for the board to understand what you want it to do, and for it to learn about your firm.

Preconditions To Setting-Up Your Advisory Board

Let's be realistic. Having external business advisors makes good sense for some, but boards are not for everyone. So when might it make sense to consider an advisory board?

Anyone who's led a law firm knows there comes a time when it feels like something is missing. Whether it's renewed status, recognition, or satisfaction, it doesn't matter. Filling the void does. Wanting more is the first precondition because it signifies your deep passion to create, renew and/or grow your firm. Leaders who internalize this passion invariably work harder to exceed the status quo. They push for more and consequently require more expertise, knowledge, and wisdom from others. Without the fundamental drive for more, we are talking about lifestyle satisfaction or what strategists call harvesters who are content with what they have attained. There's nothing wrong with being satisfied and living comfortably; but, the need for an advisory board is less compelling in these circumstances.

A compelling growth opportunity is the second pre-condition. Growth and boards go together for a couple of specific reasons. For one, growth opportunities are not easy to define. Even experienced leaders are prone to unintentional bias regarding new ideas, which are tricky to sort through under the best circumstances. Growth also often means venturing into new areas. True leaders have a clear picture of their firm's potential. They know, either intuitively or logically, where they want to go. The uncertainty may be in either how or the best way to get there.

A mature ego is the third precondition, because with an advisory board in place you can run but you can't hide – from objectivity or truth. Nor should you want to, because effective boards can help you think more deeply about your big ideas or actions. The input is precisely what's needed when investment dollars are on the table. However, without a mature ego to tolerate the scrutiny or different strategic perspectives, there's neither a compelling or worthwhile reason.

Soliciting feedback and advice about your firm, its operations, prowess, image, etc., can be a scary thing. Truly listening to what others have to say about your firm takes courage; you must be willing to take criticism without becoming defensive. You have to be open to evaluating what you hear, making changes when the advice makes sense, and trying out new ideas. You don't need to put every suggestion into effect, but you do need to show the members of your advisory board that you're taking what they say seriously.

If you are not certain that you're willing to do all of that, don't assemble an advisory board. People who agree to invest their time and energy to participate will have high expectations that you'll take action on at least some of their ideas. If you don't, or at least not for good reason, you'll only disappoint the members of your board and possibly sour established relationships.

Benefits:

- Shore up any shortcomings by using experts with complementary skills – key is complementary, not a mirror image of your partners (eg a client-focus, from a client perspective, not a firm perspective);
* Receive objective outside advice and fresh insights from experienced business people and independent advisers;
* Use these experts as a sounding board for your ideas; and let them use you as a sounding board for their ideas about your firm;
* Obtain access to specialized people and resources;
* Spice up your strategic plan with "team members" who impress your partners, yet who aren't afraid to "tell it like it is," irrespective of whoever might not like it; and
* Improve your planning, organization, communication skills, and your networks; but don't do it just to tap into wider networks to hand out more business cards to – which is hardly innovative.

GETTING STARTED

As another old saying goes, knowledge is power – and gaining knowledge from a number of savvy business people can be very empowering for you and your firm.

The most important consideration in setting up your board is developing the specific objectives that you want to accomplish by having an advisory board. Approach it from an educational standpoint rather than as a business-development tool. You should not put people on your board to market directly to them. Be true to your main goal; and open to people to whom you will likely never market to.

Setting the objectives at the start then guides you in determining candidates who would be good contributors. Communicate your objectives and a profile of the ideal advisory board candidate to your partners, and ask for their recommendations for candidates.

Where, you might wonder, would you find the best candidates to be on your advisory board? Just look around you. Consider choosing: retired executives, non-competing professionals, and those recognized for their track-records in the fields of accounting, finance, marketing, and management. There are many recently retired executives and managers who may be good choices. Your advisory board members may also include academic professionals, people who hold other directorships or advisory board roles, professionals who are knowledgeable in issues affecting the profession, and presidents, entrepreneurs and business owners.

Avoid choosing people because you might get along well with them. Compatibility is great, but objective debaters who can explore and discuss issues and ideas without alienating their fellow advisory board members are best. Also, build an Advisory Board that complements, rather than duplicates, your knowledge and skill.

Be careful that paid advisors do not dominate the board. Professional advisors such as your banker, management consultant and accountant are often trusted and useful sources of advice. These advisors are already working for you and therefore may not be the right people to challenge you.

Aim high. Choose people you admire that you think you will be able to develop a relationship of trust with. Before you begin to invite people to join, make a list of individuals you know whose business, acumen or thought-leadership you admire. This is business acumen over legal expertise. There's no harm in asking, and you may be pleasantly surprised when they accept. Getting members to serve on your board is in fact the easiest part of the process. People find it complimentary, especially if you're a respected firm in their community,

Your advisory board should be large enough to generate a lively and thought- provoking exchange of ideas, but small enough to allow time for all members to express their thoughts. For many firms, the ideal size for working, active advisory boards is about five members. Include people who will press you to grow and help you be accountable, not just people who will make you feel comfortable.

Although you may decide to have an ongoing advisory board, you'll want to limit the length of service of each board member. There are two reasons for this. First, prospective members are more likely to agree to take part if they know their term isn't open-ended. Second, consistent with Martin Ruef's research (cited at the beginning of this article), after a certain number of meetings, you most likely will have tapped out the well of your members' fresh ideas.

Profile of The Ideal Candidate:

What criteria should you look for in an advisor? Obviously, every firm has different needs, but in general, most managing partners should look for advisors who are going to add valuable experience you don't have. The following are some characteristics to consider:

Connections: Many look for advisors who have an established list of contacts. An advisor that can introduce you to people (and their ideas) not otherwise readily available is often a valuable resource when creating your board.

Specific functional expertise: Creating a board is a great opportunity to get very talented business people on your team.

Objectivity: The objectivity a board can provide often leads to a new way of addressing tough business challenges.

Related PSF Experience: Many look for people who can guide them through the challenges they face. Look for professional service firm veterans who can immediately understand the issues facing your firm.

Energy: Old warhorses have a great store of war-stories. These may be valuable, but resist one resting on his or her laurels. The best board members are prepared to think, and to challenge; this requires energy.

A different way of thinking. Maybe they trained as a lawyer, but set up their own company in some other field (combining complementary ideas and an understanding of your business). Maybe they have a client-centric approach to match your firm-centric perspective on 'client-focus'. Or maybe they have a marketing background. Whatever, someone enough like you to understand your business, yet sufficiently different to challenge the status-quo, of your firm and your industry.

MEETINGS

At the kick-off meeting of your new advisory board, prepare the ground for what's to come. Because you'll be baring your firm's financial and business soul, get everyone to agree that whatever is heard in the room stays in the room. At this initial meeting, it's essential that you negotiate a confidentiality agreement for the group. That's the only way you'll feel comfortable speaking openly about your firm, and the only way group members will be honest about their own experiences.

Also, emphasize at the first meeting that you're genuinely eager to receive honest input and suggestions, and will consider all ideas seriously.

Schedule meetings far in advance at a convenient time and location. Meetings should generally last no longer than two to three-hours and should start and end on time. Schmoozing is great - but limit it to before and after the formal session.

Meeting topics should be developed to help attain those objectives you began with. Every meeting could have a different focus - one on marketing, one on profitability, and so forth. The meetings should be well planned. You don't just invite a few outsiders to your firm for a meeting. Your board members should receive substantive materials to help them get to know your firm.

Provide an agenda, outline, and any required reading distributed days before the meeting. Also, gather relevant materials beforehand; don't ask an assistant to start searching for some documents you want to review with the group, right before the meeting begins.

Boards vary greatly in terms of frequency and tone of their meetings. Advisory board meetings are not retreats, nor high-level think tanks where you need a remote setting. Once a month is too frequent, because it won't give you enough time to consider and implement the new ideas from the group. Quarterly meetings allow board members to become much more intimate with the firm. They're getting more data on a current basis, and the firm's partners get more timely feedback from the board, During your meeting, you will likely provide an overview of a particular topic for approximately 10 minutes. The remainder of the meeting is then devoted to a facilitated discussion of the topic.

You want these people to be creative in their thought processes, and willing to speak their minds. You can't have an effective board by dictating to them. Your board cannot be a complacent, laid-back, rubberstamping group of people. As managing partner, you set up a board to have people come challenge your thought process. And it's the obligation of anyone who takes on the role of board member to be a bit of a devil's advocate, to bring new and fresh ideas to the table, to challenge your management thinking.

At each meeting, let the board know what, if anything, you've changed as a result of the last meeting and how it is working. This will give members an incentive to keep contributing.

You should serve catered beverages and food at every meeting - anything from hors d'oeuvres to a full-blown meal, depending on the time of day your meeting is held. Always go first class with the spread: Something about combining the words "free" and "food" seems to have a synergistically magical effect on people, and they won't forget it.

Tips for running an Advisory Board meeting:

* Start and end on time and run the meeting efficiently
* Focus on strategic and overview issues rather than just operational topics
* Provide feedback and progress reports from prior meetings
* Be open-minded and don't be offended when receiving advice or suggestions
* Be honest and frank and encourage others to reciprocate
* Be humble and willing to learn
* Ask open-ended questions
* Encourage interaction
* Get everyone's opinion and input

SHOWING YOUR APPRECIATION

Should you compensate your board members?

The time your advisory board members put into helping you is precious to them. And keep in mind that just one great idea from your board could save you thousands of dollars in operating costs or earn you maybe hundreds of thousands (or more) in added revenues. You may, therefore, want to consider some compensation to show board members that you recognize and appreciate the contribution they've made. That said, the cost to have an advisory board should not become an obstacle to its implementation and operation.

Interestingly, from my first-hand experience actively serving on a couple of corporate advisory boards, many would say they derived more from the experience than did the organization on whose board they served. Why? Because you gain many new ideas and perspectives from your fellow board members, which stimulated creative thought about your own operations. In all cases, the advisors will be doing this for reasons that are more important than any fees.

In general, those who serve on advisory boards do not perform this service based on financial need. While being an active part of your management thinking is payment of a sort, you might also compensate your Advisory Board members by paying each an honorarium each time they attend a meeting. This fee could include any nominal time spent by the advisor between meetings. Alternatively, firms can make a donation to a charity of each particular board member's choice. You may also want to present them with a small gift on the last session of their tenure.

Opportunity definition, specialized resources, and unfamiliar new territory create significant risk for growth-oriented leaders. An advisory board can help you manage these risks by applying the diverse experience and specialized knowledge of the various board members to either strategic or operational issues.

Now ironically, the legal profession has been slow to embrace this concept, but our investigations have found a few notable pioneers:

Side-Bar: SOME RELATED EXAMPLES

• Clayton Utz - Australia

Established in 1833, Clayton Utz operated as a federation of partnerships until it became an integrated national practice in 2000. With over 1700 people, the firm is widely regarded as one of the leading law firms in the Asia Pacific region.

David Fagan, the managing partner tells us that they do not have an advisory board as such, but rather get their dose of business reality from having a board in a true corporate sense with extensive powers and outside directors. Their external board members include Sir Ross Buckland (former CEO of Unigate PLC of the UK) and Fergus Ryan (previously managing partner of Arthur Anderson in Australia and also a board member on the Commonwealth Bank).

In accordance with their Partnership Agreement, this Board has the power to approve the strategic plan, identify the partnership's core values, increase or decrease the number of departments, or require a partner to leave.

David informs us that the board has provided numerous beneficial suggestions for enhancing the strategy of the firm which of course requires a heavy emphasis on communications so that partners do not feel excluded from the decision making process. To that end the board regularly circulates reports to partners regarding the outcome of its meetings. In addition, members of the board conduct regular formal discussion sessions with partners to obtain their views.

We asked David a couple of the hard questions about confidentiality and conflicts:

> *If a specific client's information (or lists of clients, or firm financials) were to be discussed with board members, how do you deal with the protection of lawyer-client*

relationships?

"This has not been an issue given that at worst only billings data is discussed at Board meetings. There is no confidential information about files or matters which are discussed."

Presumably successful business people have relationships with several different law firms. What is to stop an outside member of your board from "inadvertently" letting proprietary information slip to one of your competitors?

"Each elected partner representative and regional representative is of course bound by fiduciary obligations to the other partners and to each other. Our external Board members sign confidentiality agreements with the firm."

If an executive member of a company is on your board, does that preclude your firm from taking work from that company , or one of the other companies that competes with that company? And, if not, doesn't it make your firm a pretty tough sell to those potential clients?

"This has not been an issue. At one stage, Sir Ross Buckland was a Director of both Clayton Utz and also a Director of the Mayne Group, which is a large client of the firm. The usual disclosures were made, and this addressed the situation."

• Leonard Street & Deinard – United States

Leonard, Street and Deinard is a 150-plus lawyer firm based in Minnesota, with 5 offices including Washington, D.C. Lowell Noteboom has served as the firm's President and managing Partner since January 1994.

Lowell tells us that shortly after taking the reins he established a Client Advisory Counsel comprised of executives and general counsel from representative clients. This Counsel started with about a dozen people and has as it's task, to help the firm focus on how it was doing and how it could perform at an even higher level in providing exemplary client service. The Counsel started as two separate groups – one made up of General Counsel and the other of CEO's and both having the same agenda. Lowell soon learned that the two groups were curious to know each other's perspective and so eventually combined the groups. The Counsel is credited with having helped create the firm's formal written "Client Covenant" document in 1996.

The group is now about 16 members, meets twice a year, for three hours with a written agenda that they receive 30-days in advance. The agenda is confined to only one topic and is a topic that would have some interest for each of the Counsel members in running their own businesses. Some notable topics have included: how to do strategic planning – top down vs. bottom up; an extensive discussion on branding and specific paid advertising; and getting client feedback, what works with surveys. Lowell claims that the challenge is to keep it lively and include topics that are engaging. He says that fortunately he's managed to pick topics that have a wide-appeal; such that everyone comes to the meeting having done their homework and ready for discussion. It must be working as a number of the Counsel members have been active for the entire 11 years since the Counsel began.

We asked Lowell a couple of the hard questions about confidentiality and conflicts:

> *If a specific client's information (or lists of clients, or firm financials) were to be discussed with board members, how do you deal with the protection of lawyer-client relationships?*
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> "We begin each session with my briefing the group on what action has transpired since our last meeting and then we go around the room and ask them to report on their activities. Most often they are extremely candid in what they share with each other. They have come to trust each other and know that they must be discreet."
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> *Presumably successful business people have relationships with several different law firms. What is to stop an outside member of your board from "inadvertently" letting proprietary information slip to one of your competitors?*
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> "I don't share information on partner compensation. I don't disclose the firm's specific financials or gross revenue numbers. But beyond that there's nothing to stop someone from inadvertently letting out some information that they have been party to. I believe that everyone in this group knows to treat all information in the strictest of confidence"
>
> *If an executive member of a company is on your board, does that preclude your firm from taking work from that company , or one of the other companies that competes with that company? And, if not, doesn't it make your firm a pretty tough sell to those potential clients?*
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> "It just hasn't seemed to add that level of complexity."

Patrick J. McKenna *is a partner in Edge International where since 1983 he has worked exclusively serving law firms and has worked hands-on with at least one of the top ten largest law firms in each of over a dozen different countries on issues associated with developing competitive strategies, improving profitability, client service excellence, and systems for effective practice group governance. He is available at mckenna@edge.ai*