Beane Associates News March 2007

A bi-monthly collection of news and advice for stakeholders of financially and operationally challenged businesses

Welcome...

I am often asked by clients and referral sources "What happens after you guys leave?" As we exit an assignment, one of the most important suggestions we make to management is to insist on the formation of an advisory board.

I sit on a number of advisory boards and can vouch for their effectiveness. As a consultant who "practices what he preaches," I utilize the talents of CEOS from 14 industries, via Vistage International, on a monthly basis as my advisory board to review my business plan and assist in my development as a CEO and advisor.

Please read Mill Brown's excellent article introducing the concept of advisory boards. In our Q&A section, I sit down with Jim Lucas from Vistage and get his thoughts on leadership and the need for CEOs to actively seek outside counsel.

Our last newsletter—An Inside Look At Occupational Fraud—was very well received and I thank everyone for their suggestions and comments. Copies are available at www.beaneassociates.com. On behalf of everyone at Beane Associates, Inc., thank you for your continued support of our firm.

Sincerely,
Tom Beane, *President CMC CIRA*

Tip Sheet

An advisory board can furnish an abundance of advice on major projects, open doors for new opportunities and help prevent major mistakes. It can be especially helpful in times of distress—and, if it's functioning when the business is doing well, can help keep the business on a course that will prevent a crisis from developing. Here are some tips to think of as you form your board

1 **Check Your Ego:** At your first meeting, look around the table. If you think you are the smartest person in attendance, you missed the point of having an advisory board.

2 **Compensate Them:** Creating an advisory board will cost money (you don't always get good advice for free!), but it's an efficient way to enlist a team of advisors with diverse specialties.

3 **Embrace Diversity:** Draw as many advisors as possible from different industries and backgrounds. The idea is to beat your competition, not be just like them.

4 **Use Them or Lose Them:** Long boring meetings with no agenda spent with people who don't listen and rarely take advice. Sound exciting? I don't think so, and neither will your advisory board. Engage them, empower them, listen to them and then watch the positive results.

An Introduction To Advisory Boards By Mill Brown

Mill Brown is Managing Director of the Atlanta office of Beane Associates, Inc., and a seasoned business professional with over 30 years experience developing and implementing crisis and change management for public and private companies.

Whether a business is poised to grow, trying to stabilize itself or set a new direction, there are times when it takes more than collaboration between the board of directors and the top management team to make great things happen. Sometimes, a business needs a new perspective, an unbiased assessment by talented leaders and executives who have a proven record of success in their own businesses. In the case of distressed businesses, continued fresh advice from outsiders may be the key to a successful long-term transformation of the company.

Unlike boards of directors, advisory boards don't have any power, but they can be influential agents of change when CEOs recognize their value and are willing to listen to their advice. A good advisory board will suggest ways for a business to improve its operations and its profitability, and will guide the business to the resources—both human and financial—to make that possible.

Where To Start

When choosing members of the board, remember that you're seeking individuals who will provide solid advice, leaders who will take a fresh look at the company's issues, rather than offering instant agreement with the direction the company is now taking.

A typical advisory board would include experts with legal, financial and industry expertise, knowledge of sound human resources and management practices, and familiarity with any relevant specialties (engineering, marketing, international, etc.), where the company is inexperienced. Most owners and CEOs have the contacts to recruit advisors with the appropriate expertise; effective networking with other business associates should provide candidates for any remaining positions on the board.

Structure

For most businesses, five to seven members are appropriate. Your board should be large enough to bring diverse knowledge and skills to the table, but small enough to work closely together and reach consensus easily. When your board is in place, schedule regular meetings, with full agendas prepared and minutes taken. In our experience, a quarterly meeting and an annual session for strategic planning constitutes an effective yearly schedule. Give the board full access to the company's financial information. Expect the advisory board to deliver an honest and diverse perspective on critical issues; empower the board to give you the answers to tough questions confronting the business, including the contributions of key management personnel and how to improve performance to plan.

The Payoff

Whether management specifies the topics for the advisory board to consider or gives it a broader rein, recognize that a talented advisory team can suggest moving the business in ways they hadn't previously been considered.

At the end of the day, that's the benefit of having a good group of advisors: they have the freedom to guide you in directions you never thought possible, and they may also point you to the resources you need to solve problems and achieve new goals.

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Q&A With James Lucas

Jim Lucas is chairperson of four separate groups of 55 CEOs and key executives for Vistage, the world's largest CEO membership organization. Jim is a former senior vice president of a major bank, where he worked closely with the chairman, CEO and board of directors, and has also had extensive experience with privately owned companies.

First, what is Vistage, and how can it help business executives? It has certainly helped me.

We're the world's largest CEO membership organization, with 14,000 members in 15 different countries, most recently including China. Vistage is focused on helping presidents, owners, CEOs and key executives become better leaders, make better decisions and get better results, both in their business life and their personal life.

One of the points Mill Brown makes in his article is that an advisory board shouldn't consist solely of people working within your own industry. He recommends assembling a team of people with differing backgrounds. Why is this helpful?

Many of the problems that business leaders face are very similar, regardless of whether it's auto sales, IT services or the manufacture of windows. These issues frequently cross functional lines. Having an advisory board with a broad industry base brings together different views and perspectives that allow the CEO/owner to benefit from a panoply of advice. It doesn't mean he or she will follow through on the advice they receive, but at least they will have the advantage of different voices from different vantage points.

What's the advantage of bringing outsiders to the table? If you've got a furniture business, for example, how can a lawyer, or an engineer, help you sell more sofas?

Smart CEOs and owners realize they have "black spots" — holes in their own skills. One of the things a top-performing leader recognizes is how to fill those black spots. If a leader is weak on finance, then you might really want an accountant on your advisory board because they can give first-hand advice on a strategic level, say, on what's the impact on cash flow if you decide to add another store. If leaders recognize their "black spots," they can fill them in with an advisory board.

We find that the Vistage member is not necessarily a typical business person. They often join because, unlike some other business people, they recognize that they do have "black spots." To be able to open up to a group that doesn't work for you, to tell them your deepest, darkest secrets in confidence, means you have to leave your ego at the door. This kind of business leader, one who can do an honest assessment of their strengths and weaknesses, will see the benefit of having an advisory board. Someone who is ego-centered, unable to seek advice, unwilling to take advice if it's received, they're not going to recognize their "black spots" because they believe they're Superman.

VISTAGE™
better leaders – decisions – results

We often find that businesses get in trouble not because they've gotten bad advice, but because their leaders are reluctant to seek advice until it's too late. Why does this happen?

Sometimes the adviser that most business leaders turn to the day or the night before they make a major decision is their spouse. Spouses play an important role for all of us, but that person doesn't necessarily bring a more objective and broad-based perspective to that challenge. It's very difficult for us to recognize our challenges. It's a very difficult process to acknowledge "hey, I don't know everything." But, as a CEO, your job is not necessarily to know everything; your job is to articulate a vision, to bring the best people on board that you can to help you implement that vision, to give them the support and the environment to be successful. Your job is not necessarily to know how to do the accounting, how to do the sales, how to do the operations.

For more from our Q&A with Jim Lucas, visit www.beaneassociates.com

For more information on Vistage, visit www.vistage.com

Staying Ahead Of The Curve

Effective CEOs embrace strategic planning, the orderly process needed to meet new challenges. A good strategic plan reflects the values of the organization, inspires change and defines criteria for achieving success. An active advisory board can provide insight and depth to your strategic plan. The planning process involves asking a lot of questions in three basic categories:

- **Where Are We Now?** Who are our customers and what do they want? What are our organization's core competencies? Who are our competitors and where do they pose a threat?
- **Where Do We Want to Be Tomorrow?** What must we change to better serve our customers in the next three to five years? What driving forces will shape our industry?
- **How Do We Get There?** How will we need to improve our products and services? How will we break into new markets? What new technology will we need to survive? How will we meet competitors' challenges?

Adapted from Vistage.com

In The News

Beane Elected to Philadelphia TMA Board

Thomas J. Beane, president of Beane Associates, Inc., has been elected to a three-year term on the board of the Philadelphia chapter of the Turnaround Management Association (TMA), the only international non-profit association dedicated to corporate renewal and turnaround management. The Philadelphia chapter draws its membership from southeastern Pennsylvania, northern Delaware and southern New Jersey.

Beane, a member of TMA for over 10 years, has more than 20 years of broad-based business experience, including over a decade in turnaround and crisis-management consulting.

Established in 1988, TMA has 7,500 members in 40 chapters, including 28 in the United States, two in Canada, and one in Australia, Finland, France, Germany, India, Japan, New Zealand, Southern Africa, Taiwan and the United Kingdom. TMA members are a professional community of turnaround and corporate renewal professionals who share a common interest in strengthening the economy through the restoration of corporate value.

For more information, visit www.tmaphila.org or www.turnaround.org

TMA Members Wary of Auto Industry

Skittish consumers are a significant factor in the top choices for the most troubled industries in 2007, according to respondents to the Turnaround Management Association's annual Trend Watch poll. Potential homebuyers and U.S. automobile owners seem to be in a "wait-and-see" mode, adding to the current distress in those industries.

The top four candidates predicted to encounter the "greatest financial and/or operational difficulties" in this year's poll:

- Automotive, 74 percent of the responses. It also was named as the most distressed industry in 2006.
- Homebuilders, 58 percent. Airlines held this position in the 2005 poll, but dropped to sixth place this year.
- Construction/contractors, 36 percent.
- Manufacturing, 26 percent, slipping from third place to fourth.

About Beane Associates, Inc.

Founded in 1984, Beane Associates, Inc. continues to build an impressive track record in helping private and publicly owned companies improve operational effectiveness and profitability during a time of financial challenge. The company has offices in Wilmington, DE, Charlotte, NC, and Atlanta, GA.

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