

BREAKAWAY

Going Outside

Advisory boards can provide straight talk, often at little cost

By Christina Le Beau

EMPLOYEES WERE slacking off, production was jammed up and entrepreneur Jeff Bizar was wondering what he had walked into. Yet he wanted the marriage to work. The party-decorations business he had just acquired seemed a natural fit for the entertainment company he started in 1992. Bizar Entertainment Inc. supplied DJs, motivational speakers and other entertainers, while the new addition produced backdrops, centerpieces and the like. What could be better?

But the new business "was less than 10% of my income and 99% of my headaches," says Mr. Bizar. So he took the issue to his advisory board, a group of fellow Chicago-area business owners. The entire staff would have to go, the group advised, and a whole new production system was in order. It wasn't unsalvageable, they believed, but it would take some work.

After hearing what it would take to save the business, Mr. Bizar realized that his heart wasn't in it. "I just wasn't passionate about that part of the business," he says. So 18 months after purchasing the decor business, he shuttered it. "It's not that I didn't see these things before," Mr. Bizar says, "but when you hear it from other people, well, I couldn't not believe it anymore."

Another Viewpoint

An outside perspective like that has saved more than a few small businesses from themselves. Though advisory boards seem particularly in vogue among tech entrepreneurs, the concept in fact was born long before most of them learned to walk. These boards carry no standard definition. Some are created by an owner for a specific company, while others, like Mr. Bizar's, are or-

ganized by a third party to serve each member's business. Some are hands-on, meeting monthly or more, even getting involved in the daily grind. Others meet quarterly, with an eye on the big picture. Many consist solely of interested outsiders, but a good number include investors as well.

What they all share is this: They are there to coach, evaluate, play devil's advocate and make introductions. These aren't boards of directors; they bear no fiduciary or legal responsibility and thus can focus on business advice in a way a company's directors may not have time for. And the price is just right for a small-business owner—typically a token stipend, if anything, though some do get stock options. Mr. Bizar pays \$500 a quarter for monthly meetings through the Chicago-based President's Resource Organization. Pocket change, considering the potential payoff.

"If you think about it, where else in your life do you get absolutely straight, unvarnished talk?" says Robert Villency, chairman and CEO of Maurice Villency Inc., a furniture retailer based in Jericho, N.Y. Mr. Villency has relied on advisory boards since 1979, tapping them for wisdom on everything from expansion to handling the death of an executive. "Other people can look at your issues without ego and emotion getting in the way."

Consultants presumably could do the same thing, but "the formal structure of an advisory board gives you a sense of accountability," says Pittsburgh entrepreneur Anita Brattina, who has written about her experiences with an advisory board. "That puts a little more stake in the game for everyone at the table. Because if you're going to convene everyone, you want something to come out of it."

Of course there is the matter of choosing the people at that table. And here, too, there are few absolutes. Most draw the line at including customers or the company's banker, accountant or attorney, figuring that's cause for conflict at every turn. Instead they

tap fellow entrepreneurs and vendors. Ms. Brattina, the president of Direct Response Marketing Inc., always seeks founder-CEOs—"people who've done it from scratch—who've been there, done that." Bogart Golf Inc., a rapidly growing chain of golf centers based in Bellevue, Wash., includes its architect and its advertising representative. "It gives them a vested interest in the company," says Scott Painter, Bogart's chairman and CEO. "They put more effort into us than if we were simply a client."

The Name Game

Taboo as it might seem, many businesspeople also turn to family and friends. Celebrities and industry icons get calls, too. Dermdex Inc., an online trading hub for skin-care supplies, tapped new-age musician and anti-aging guru John Tesh. "He knows the spa space very well," says Navroze Mehta, president and CEO of the Boca Raton, Fla., company. "And his wife, Connie Sellecca, is very involved in skin care and selling her own line. So clearly he can help in PR and promotions."

Yet if there's one myth about advisory boards, it's that names alone will open doors and unload pockets. "You've got to distinguish between advisory boards that are actually used by CEOs and advisory boards that are there to dress up a company," says John Sculley, the former Apple Computer Inc. CEO and now a venture capitalist, who turns down any offer that reeks of window dressing. "I think people see through that pretty quickly."

One offer Mr. Sculley didn't turn down—in fact one he embraced—came from InPhonic Inc., a wireless-networks provider in Washington, D.C. InPhonic CEO David A. Steinberg asked Mr. Sculley for a meeting after hearing him speak at a Young Presidents' Organization event. Nearly six hours after arriving for that meeting, Mr. Steinberg walked out with a commitment from Mr. Sculley to invest in the company

(over please)

and to serve on both its board of directors and its advisory board.

Though Mr. Steinberg had previously started two other businesses without advisers, this time he was building an infrastructure online—new terrain for him. Democratic National Convention Chairman Terry McAuliffe, another of InPhonic's four advisers, has helped open doors with organizations and trade groups—target markets. And Mr. Sculley at one point took off three days to fly to San Francisco and attend 12 meetings with Mr. Steinberg and potential clients, a trip that resulted in 10 deals, four of them on the spot.

"I expected to get some advice, but the reality is that these guys have just gone to bat for us, far beyond what we had actually hoped," says Mr. Steinberg, whose company now employs 74 people. Mr. Steinberg declined to reveal revenue.

Of course, Mr. Sculley did offer more than just time on that trip to San Francisco. "The first three pitches, I was really bad," says Mr. Steinberg, who started out selling way too hard for the West Coast crowd. "He critiqued me pretty rigorously."

That's brainpower that money just can't buy. "Who doesn't want nine other people thinking about your business?" asks Atlanta consultant Michelle Matthews, who started her solo organizational-development practice in 1999 after a career with the big consulting firms. Ms. Matthews, who counts her mother and sister among her advisers, recalls a discussion with the board about accepting a retainer agreement from a client. She was ready to jump on it—it was guaranteed income, after all—but the board helped her slow down and work out an agreement that protected her from becoming a one-client consultant.

'Time for Reflection'

"I know I'm going to meet with them quarterly, so I've learned to allocate time for reflection about my goals," says Ms. Matthews, speaking not only about profitability, effectiveness and client mix, but also about finding a balance between work and life. "And both years I've exceeded my objectives."

The people at Reactive Search Inc. have other things in mind. Like attracting funding. "We're in a tough environment in terms of capital markets, so we perceived early on that we were going to have to prove a lot more," says Anthony Faulise, co-founder of this year-old e-commerce software maker from Durham, N.C. "So we went looking for the kind of experience we couldn't afford to pay cash for."

Mr. Faulise, who early on sought advice from Amazon.com founder and former Princeton University classmate Jeff Bezos, used "energetic networking" to build an advisory board that already includes Linda Watson, president of Egarden.com, and Alan Andreini, the executive chairman of eB2B Commerce Inc. Mr. Andreini, formerly vice chairman and CEO of InterWorld Corp., joined the advisory board after Mr. Faulise combed Princeton alumni magazines looking for people "old enough to

have an influential position and young enough to be involved in technology."

For the price of stock options, Reactive Search has gained a dozen minds ready to weigh in on anything from hiring to funding. The company, which has eight paid employees and about as many unpaid Duke University interns, even tapped three advisers to serve as interim executives, including CEO. It's an arrangement that allows Mr. Faulise and his co-founder, Stephen Burnham, to focus on their strengths—sales and marketing, respectively—while steering toward an IPO and eventual profitability.

More money, no surprise, is almost always the ultimate goal. Using an advisory board to get there, however, means shedding fears and sharing weaknesses—"what one of my friends calls unbuttoning your kimono," says Ms. Brattina of Direct Response Marketing.

Ms. Brattina in 1991 applied for and won an advisory board for a year, courtesy of Pittsburgh's PowerLink Inc., a nonprofit business-development group that since has expanded nationwide under the auspices of the Athena Foundation, an East Lansing, Mich., women's leadership group. Ms. Brattina's then eight-year-old company was doing well enough—annual revenue of about \$360,000—but real growth seemed elusive. How, she agonized, did any business grow to \$1 million and beyond?

Initially reluctant to divulge too much to her advisers, Ms. Brattina wasn't finding

many answers. But once she spilled, so did the solutions: Broaden services. Don't be afraid to use credit when necessary. Hire good managers and stay out of their faces.

It's something another PowerLink recipient, Ellen Ruddock, had to swallow as well. "I was five years in the business and dying when I got my panel," says Ms. Ruddock, who owns Career Dynamics, a leadership-training firm, and now serves as volunteer president for the Pittsburgh PowerLink group. "They helped me replace myself every step of the way in the business. Now I can see that we will become a million-dollar business shortly."

Ms. Brattina, 10 years after landing her PowerLink board, now employs 120 people—about half of them part time—and posts revenue exceeding \$3 million. Her advisory board, constructed in part from that original group, is going strong. Next goal: \$20 million. "There's no question that a president still has to lead the company and know where they want to take it, but it's very smart to use people who bring external insight," says Ms. Brattina. It doesn't hurt, she adds, if those people "really fall in love with your business."

Mr. Painter, the Washington golf executive, takes it one further. "I don't know if an advisory board embraces the company more," he says, "but there's definitely a love of the company that doesn't always come with the stiffness of a board of directors." ■■

Advice at the Right Price

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■ LOCAL BUSINESS GROUPS

Don't overlook your local chamber of commerce, women's network, management council or any similar business group. Most hold regular programs that offer not only business advice, but also power networking. Check with your chamber for a list of other local business organizations.

■ INTERNET

Type "small business help" into any search engine, and you'll find no shortage of online resources, everything from articles and resource listings to services offering free Web hosting, file storage, e-mail and voice mail accounts, and shareware. One handy site is BenefitsLink, www.benefitslink.com, which tracks the latest employee-benefits developments, plus offers a benefits-centric search engine that delivers highly relevant

links throughout the Web. Another useful site: Nolo.com, www.nolo.com, which features a comprehensive do-it-yourself center on small-business law. Of course, Nolo does publish legal books, software and forms, so you'll have to navigate some self-promotion.

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■ LOCAL BUSINESS JOURNALS

For the price of a subscription (typically well under \$100 a year), these weekly business newspapers offer how-to articles and sales leads, plus news of competitors and industry trends. Most publish annual "list" books, featuring the top 25 (or so) businesses in dozens of categories, such as law firms and real estate developers. Many also publish semiannual small-business and high-tech resource guides. Visit the Association of Area Business Publications Web site (www.bizpubs.org) for a directory of business journals nationwide.

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