

# Secret Weapon for the CEO ... The Independent Advisor

Thanks to ...



## What is the definition of an Independent Advisor?

Many companies are now beginning to discover that *Independent Advisors* can serve as a valuable complement to the **entire executive management team**. In fact, in today's increasingly complex and competitive marketplace, the introduction of Independent Advisors and Advisory Boards is helping companies develop crisp strategies with clear and effective value propositions in order to deliver a sustainable competitive advantage. The term "Independent Advisor" is best described as: **experienced executives and professionals retained by a company to provide guidance and support on issues critical to the organization**. Advisors are *working* as opposed to honorary positions that offer *guidance* versus statutory governance, which **deliver great insight** without legal liability and administrative responsibility.

## Complexity

Something with which a CEO and directors must deal every single day. Regulators and investors expect us to have the knowledge about each corporate issue that once was the purview only of industry experts educated and dedicated to that single issue. So many issues confront boards and senior management that they don't always have the time or depth of knowledge to treat each with the care needed to make informed decisions

## Depth of Involvement

Independent advisors have the time and background to become more deeply involved in the business than do statutory directors. Further, advisors often meet more frequently than the board schedule allows. Such deep and frequent involvement provides continuity for the independent advisor – more so than statutory board members are able to achieve

## Depth of Knowledge

Adding enough directors with the expertise to help the CEO deal with every type of issues would make the board unwieldy. Engaging independent advisors can spread the workload. Because they usually meet more frequently and address different issues, independent advisors often get to know the organization better than do board members. **Their advice and counsel to the CEO is at a level few directors can provide.**

## Freedom of Expression

Independent advisors can offer the CEO ideas and recommendations without fear of reproach.

# CEO SURVIVAL GUIDE

## Selecting Independent Advisors

The company strategic plan should provide foresight and guidance on where problems and issues are likely to occur. Do not select advisors simply for such commonplace traits as their potential customer contacts or access to the capital markets - the independent advisor should be able to provide an even more valuable service.

## Recommendations vs. Decisions

Independent advisors provide only opinions and recommendations on specific courses of action – based on their experience and expertise. Management and boards are responsible for making the decisions on behalf of the company.

## Using Advisors to the Best Advantage

Independent advisors should focus on the large issues that create value for the company and its stakeholders. The advisors mission is to tell the CEO and the board what they do not even know they do not know - not serve as confirmation and support for preordained decisions.

## The Extra Right Arm

When used correctly – **independent advisors become an extension of the CEO** – and a valuable resource to the entire senior management team.

## The Best Sounding Board for the CEO

Due to a lack of time and deep understanding of the company, few statutory directors can provide the CEO help in areas other than governance. Independent advisors accessible to the CEO on a daily basis allows greater familiarity with the company's systems and resources than ever before - as such, is the CEO's best sounding board. With the stock market's volatility and the continued proliferation of shareholder lawsuits, statutory boards are looking for anything to ensure better, more informed, more accurate, and faster decisions.

## The Best Advisors

The best independent advisors are those with the patience to concentrate on operational and strategic issues. They usually do not have the time or tolerance for corporate governance process work that fails to add shareholder value. Independent advisors do their best work when moving swiftly - quickly and accurately identifying a problem - and making recommendations **BEFORE** they are needed. Analysis paralysis is **NOT** acceptable here.



## CEO SURVIVAL GUIDE

### How to select and retain advisors with independent perspectives?

“Create a climate of trust and candor ... ensure individual accountability ... seek knowledge rather than names ... ruthlessly purge those with hidden agendas ... find people with a passionate interest in the business ... ignore recipes from governance consultants.”

**Dr. Jeffery Sonnenfeld - Yale School of Management and  
Founder of the Chief Executive Leadership Institute**

### Don't outsmart yourself by having no one to talk to ... but yourself

The simple rule of thumb is that any entrepreneurial CEO of a growing firm needs to select independent advisors or “**advice squad**” during the evolution of their business made up of executives with experience in areas of business management where they are lacking. The advisors skills should be complementary.

Experienced business executives, with strategic planning, technology, talent development, or operating experience usually make for excellent advice squad members. You are ultimately going to need these are experts for the growth of your business. So why not have them function in an ongoing advisory capacity? If the experts that you deal with professionally cannot become involved because of an ethical issue or conflict of interest, ask them to recommend a trusted colleague.

Obviously, there is no sense engaging independent advisors without a plan for how you are going to use their individual and collective expertise. Likewise, you need to have some form of an incentive, or stipend per meeting, and annual fee for their participation with you and for their advice in growing the business. Then you need to meet regularly with them individually on specific day-to-day issues and collectively on a periodic basis to review actual results against plan, as well as progress in terms of the strategic milestones in the business plan.

**Having an unbiased expert to meet with regularly who is not wrapped up in the day-to-day aspects of your business is invaluable. Their objective evaluation of a situation can save you from making an embarrassing and expensive mistake. Even just offering up other options that you did not think of can be very helpful.**

At meetings just having an independent advisor ask, “**why do you want to do that**” often sets in motion some additional analysis that can be extremely rewarding. **These meetings have an uncanny way of injecting sound business sense into decisions that have evolved often without the right level of common sense.**

Seriously, think about it and if you don't already have an advice squad - get started finding experienced professionals with skills you are missing - or just for their objectivity as independent advisors.

Thanks to ... **Robert M. Donnelly It's Lonely at the Top**  
**CHIEF EXECUTIVE**