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People You Want on Your Board of Directors

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Last month, I identified popular types of people often picked for directors that I think can be a disaster for a company.

Mainly they were your paid professional advisors - your banker, accountant, lawyer and so forth. My conclusion was that they may have a lot to offer your company, but it's advice you'll be better off paying for outside the boardroom.

This month, I want to recommend some types of people who will serve you well as directors. The first thing you should ask is: What do I want my board to do? What function should it serve?

The board can do a lot. It can help develop and hone the strategy of the company, act as a sounding board, recruit key people like the CEO and CFO, participate in financing ventures, open doors to the right companies, the right people. It can help in times of crisis, interface with customers,

suppliers, the investment group, and evaluate new products, new businesses, new opportunities.

Now to be effective at these things, board members should have knowledge of your field and have operational experience. They should also be quick learners. They have to be smart as well as savvy. But above all, they must be people that you trust, people who you know are sincere.

And they have to be a little tough - independent. They should be the kinds of people who can ask difficult questions and formulate an alternative point of view - play the role of a devil's advocate.

They must carefully review and approve annual budgets and plans and not just rubber-stamp them. That's crucial. You want your board members to review financial matters very carefully - because sometimes the financials are your best early warning system to serious problems.

For example, if revenues are lower than projected, you ought to dig into why is that true. A good board will ask the tough questions. If revenues are as projected but the profit is off, a good board will ask why the profits aren't there.

At the same time, you need a board with which you can be completely open and honest. This is a very important point.

The CEO has to be the Rock of Gibraltar to the rest of the organization. He can't let people see that he's worried about how to make payroll next week. Which means there is a lot of stress on the CEO.

So if he can't cry on a shoulder, where does he go? And I say he goes to the board. The board, in a sense, is a very tough taskmaster of meeting plan. But in the final analysis, it is sympathetic to the CEO and entrepreneur.

So when choosing your directors, make sure they're people to whom you would feel

comfortable saying: “I’m in trouble and let me tell you why I’m in trouble.”

So where does one find such a person? Network. But keep in mind that one valuable source will be former and current entrepreneurs. They are experienced, know what you are going through and bring a risk-taking mindset to the table. And, to a large extent, ex-entrepreneurs are very generous with their time and knowledge and advice.

Jack Roseman is the Director of The Roseman Institute. He was the founder of two successful computer firms and was president of a third, On-Line Systems. Jack formerly was the associate director of the Donald H. Jones Center for Entrepreneurship at Carnegie Mellon University’s Graduate School of Industrial Administration (GSIA). This column was written with Steven N. Czetli, former Executive Editor of T.E.Q.