

Don't go it alone!

Why every small consulting firm should have a Board of Advisors

By Dan Cassidy

Starting and running any small business is daunting, especially for actuaries who through training (focused on analytics) and experience (cutting our teeth at global consulting firms) perceive the risks to be tremendous. Some actuaries never leave the comfort of a large firm. For those actuaries, whether solo or in partnership, that do make the jump, you may want to consider taking additional support reinforcements – a Board of Advisors.

Background

I run a small retirement consulting firm focused on the needs of mid-sized companies. Seven years ago, I started the firm in my home office. Since then, we have grown to six professionals (including two other actuaries). For the past four years, my firm's Board of Advisors has been advising me on my business.

Why establish a Board?

Several reasons come to mind as I started my board including the following:

- Open Forum
For me, the primary goal for starting the Board was to have a forum to discuss my business with other, more experienced business people. In the past while working at large consulting firms, I had a network of people both inside and outside the firm who provided an outlet for an open dialogue about my career. Now, with my own firm, I wanted to move beyond a quick discussion over lunch. Our Board meetings provide me with a focused, business-oriented session to discuss any area of my business whether it's employees, sales, marketing, invoicing, etc.
- Extend Network
Probably the next most important reason for me was to extend my network – as well as extend the network of my Board members. Each one of my Board members either owns their own business or is a senior executive. They are more than willing to share their network with me to help me be successful. These introductions have been very helpful and are a great way to warm up a cold call. Also, some of my Board members have now done business together themselves.
- Marketing
My last major reason was client focused – or more accurately – how prospective clients perceived my firm. We work to differentiate ourselves from other small consulting firms and feel that a Board of Advisors provides another example of our commitment to this market, growing our business and being business partners.

Concerns

There is a lot to consider when you start your Board. Some of the more important issues are:

- Who?
Like a lot of things, start with your friends. And by friends, I mean people who you know personally or have done business with in the past. Everyone I asked said yes and was honored to be asked. They ranged from the father-in-law of my best man to a private equity banker who I play squash with. Also, you will be sharing sensitive information about your business, so a level of trust is essential.

I also asked two types of people:

1. Industry types: those who know my business like an ERISA attorney, health & welfare broker, retirement sales executive, etc.
2. Business types: those who didn't have the foggiest idea about my business but who knew business like an accountant, founder of internet company, private equity banker, etc.

Each group of people added to the conversation and provided their particular take on things.

- How many people?
Initially, I erred on the side of too many people and started with eight. I did this to get both types of people (see above). But also, since this was a voluntary commitment, I knew that we would have no-shows and wanted to always have a good number of people at each meeting. Over four years, we averaged six of the eight with different people missing different meetings. This worked very well for my goals of having a sounding board for various issues and extended my network.

In the last year, my firm has moved into a more aggressive growth phase. I felt that this would necessitate having more frequent board meetings. Thus, with my Board's agreement, I have shrunk the Board to just three members – all of whom are business types. At the same time, the remaining members have increased their commitment to meetings, etc. In recognition of this more formal arrangement, I have instituted a small honorarium (enough for each member to take their spouse out to a fine restaurant in Boston). For the industry types, I meet with them on a regular basis for normal business and will continue to discuss my firm with them on a casual basis.

- Willing to share
Probably the most valuable members of my Board were the ones who shared their thoughts – whether I agreed with them or not. These outspoken people would spark lively conversations and provide others with an opportunity to comment.
- Liability
Notice that I have been using the term “Board of Advisors” and not “Board of Directors”. I have structured it this way for two reasons:
 1. My Board of Advisor is just that, a group of people who advise my firm. We retain all decision-making functions.

2. Since members of a Board of Directors have legal liability under US corporate law, possible candidates for your Board may be wary of being a Director versus an Advisor. Make sure you avoid this issue.
 - Logistics
We have our meetings in the evening since this is a volunteer activity do not want to take away from the work day. We mingle casually over drinks to support networking among the members and then sit down for dinner and discuss my business. As a token of appreciation, I get each member a small gift (or now the honorarium).
 - How often?
We averaged about two meetings a year over the four years. Now, with a smaller group, we are increasing the frequency to quarterly.

Has it been worth it?

Overall, I feel the Board of Advisors has been very successful. It has given me a time and place to get out from running my business day-to-day and think about longer-term goals. Often times, people have very different opinions about a particular issue and it has been great to hear both sides of an argument, when I had only been thinking about one side. As with any group of people who you ask for advice, you can either use it or ignore it.

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