

IDEAS & DEBATE (/BD/OPINION-ANALYSIS/IDEAS-DEBATE)

Advisory boards can put family businesses on sustainability path

MONDAY APRIL 19 2021



[_](https://twitter.com/share?text=Advisory%20boards%20can%20put%20family%20businesses%20on%20sustainability%20path&url=https://www.businessdailyafrica.com/bd/opinion-analysis/ideas-debate/-advisory-boards-businesses-on-sustainability-path-3367456&via=BD_Africa) (https://twitter.com/share?text=Advisory boards can put family businesses on sustainability path&url=https://www.businessdailyafrica.com/bd/opinion-analysis/ideas-debate/-advisory-boards-businesses-on-sustainability-path-3367456&via=BD_Africa) [f](https://www.facebook.com/sharer.php?u=https://www.businessdailyafrica.com/bd/opinion-analysis/ideas-debate/-advisory-boards-businesses-on-sustainability-path-3367456) (https://www.facebook.com/sharer.php?u=https://www.businessdailyafrica.com/bd/opinion-analysis/ideas-debate/-advisory-boards-businesses-on-sustainability-path-3367456) [in](https://www.linkedin.com/shareArticle?mini=true&url=https://www.businessdailyafrica.com/bd/opinion-analysis/ideas-) (https://www.linkedin.com/shareArticle?mini=true&url=https://www.businessdailyafrica.com/bd/opinion-analysis/ideas-

[debate/-advisory-boards-businesses-on-sustainability-path-3367456](https://www.businessdailyafrica.com/bd/opinion-analysis/ideas-debate/-advisory-boards-businesses-on-sustainability-path-3367456))  
(mailto:?subject= Advisory boards can put family businesses on sustainability path&body= Advisory boards can put family businesses on sustainability path-
<https://www.businessdailyafrica.com/bd/opinion-analysis/ideas-debate/-advisory-boards-businesses-on-sustainability-path-3367456>).

Fresh out of business school, John answered a job advertisement for an accountant. At the interview with a middle-aged man who ran a small business that he had started himself, the interviewer said, "I need someone with an accounting degree, but mainly, I'm looking for someone to do my worrying for me."

"Excuse me?" said John. "I worry about a lot of things," the interviewer said. "But I don't want to have to worry about money. Your job will be to take all the money worries off my back."

"I see," John said. "And how much does the job pay?"

"I'll start you at five hundred thousand shillings a month." "What? How can such a small business afford a sum like that?" John exclaimed. "That," the interviewer said, "is your first worry."

Family business owners are constantly worrying. Worrying about whether they have the right people working for or stealing from them. Worrying about the competition and whether they can afford pricing wars or cheaper alternatives to their products. Worrying about the economy and consumer purchasing power that will affect their customer's ability to buy their goods and services. Worrying about the Byzantine tax regime that is bound to trip them up if their accountant falls asleep on the job and a more than eager tax authority official with a target to meet identifies the slip up.

The last thing on many of their minds is setting up a board of directors made up of non-family members or non-shareholders.

For many business owners, keeping their financial performance and intellectual property confidential is a critical requirement for survival of the fittest in an often cut-throat competitive environment. This, of course, potentially stifles bottom line growth and product innovation where the organisation lacks external expertise and thought leadership on the trajectory that a business is taking.

Maria identified this when she joined the confectionery manufacturing business that her parents had founded and nurtured for 30 years. She immediately embarked on creating an advisory board made up of herself, her parents and three external and independent resources that were subject matter experts in various fields. The benefit of the advisory board she says, is that it immediately brought a sense of professionalism into the way the business was run.

An agenda had to be created for the meetings, which led Maria and her parents to put some thought into what the objectives and what the best outcomes would be for each meeting.

Maria wanted to eliminate the echo chamber that had arisen at the family leadership table as the breadth of creative thought and experience was limited to the family members' existing capacity. She convinced her parents that they needed to bring in independent resources who had experience in formulating strategy, retail distribution and manufacturing.

Her father's concern was that the advisory board members would tell him what to do and he had no business taking instructions from strangers. Maria was careful to design the agenda into key discussion areas that the business needed addressed around route to consumer and innovation as well as production efficiencies.

She assured her father that the meetings would be structured as roundtable discussions where the company's current products and processes would be tabled for a constructive discourse on where best to improve on the same. She also created an advisory board charter that clearly laid out the terms of reference for the members from number of meetings, length of tenure (in this case it was one year to get her father comfortable with the concept initially), areas of focus and responsibilities of members.

As the advisory board members were not registered as directors at the Companies Registry, they did not bear any fiduciary or legal responsibilities which put her father at ease in terms of the information that had to be shared with them and the fears he had that he would be beholden to their decisions.

Maria then sought out experienced resources in the chosen fields and used the family's well respected social capital to convince the resources to accept the role. She was astute enough to ensure that one of the resources was close to her father's age with an independent and richly experienced background, who helped to lead the discussions respectfully while skilfully occupying an imaginary chairperson role.

The resultant probing and very challenging conversations yielded an apparent need to move the family business into a more corporate and sustainable culture and Maria succeeded in convincing her parents to eventually transform the advisory board into a longer lasting company board of directors made up of family as well as independent directors.

An advisory board does not require to morph into a legal board of directors if a family business does not wish it to. However, it is an excellent way of putting nervous toes into the frigid waters of the unknown area of governance and testing the practice of knowledge sharing, comprehensive strategy formulation, risk management, financial control and setting up a business for sustainability.

carol.musyoka@gmail.com Twitter: @carolmusyoka

IN THE HEADLINES



(/bd/corporate/companies/inside-sh11bn-kq-deal-with-government-3367498)

Inside Sh11bn KQ loan deal with government

(/bd/corporate/companies/inside-sh11bn-kq-deal-with-government-3367498)

BY BONFACE OTIENO