

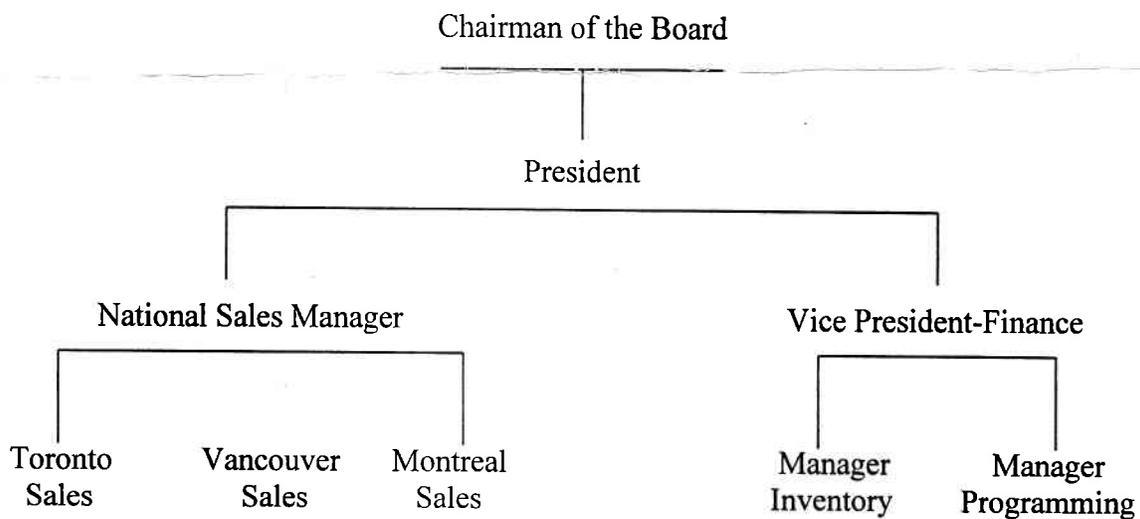
The following illustration demonstrates how a privately controlled company set up and used a board of advisors:

Ontario Engineering Company

Background

Ontario Engineering is a distributor of engineering products. The Company started in 1945 by representing a British manufacturer; more lines from both Britain and the U.S. were added. Today, the Company represents 10 manufacturers and generated \$10 million in revenue last year. Ontario Engineering has offices and warehouses in Toronto, Montreal, and Vancouver, and employs 40 people. The organizational structure is illustrated in Exhibit 2.

Exhibit 2: Organizational Structure of Ontario Engineering



A few years ago, the Company reorganized its board of directors and senior management, which up to now had consisted of the president's friends. The meetings were more an excuse for a good lunch than anything else. The new president set up a legal board

consisting of the three shareholders of the company. The shareholders would meet on legal matters and in order to conform to the requirement of the Corporations Act. The president also set up a board of advisors consisting of the chairman, the president, the vice-president, the vice president – finance, the auditor (a senior partner in an accounting firm), a president of a very successful company, and a management consultant. The agenda for the inaugural meeting with the board of advisors was as follows:

9:00 am	Introduction
9:30 am	Company mission and the role of the advisory board
10:00 am	Strategy and market assessment
11:00 am	Discussion, questions, and ideas
12:30 pm	Lunch
2:10 pm	Monthly management report and finances
3:00 pm	Ideas
3:30 pm	Adjourn

The documents were sent to the board of advisors beforehand. One of the documents was a consultant's recent market report on the current products and the other a suggested strategy for Ontario Engineering, also prepared by a consultant. At the start of the session, the president addressed the meeting and outlined the role that he saw for the board of advisors:

1. To broaden the point of view of the Company.
2. To energize the organization.
3. To suggest and recommend.
4. To bring specialized knowledge to bear on issues.
5. To ask a lot of questions.
6. To provide answers for questions from management.
7. To look for things going wrong.

After this, the board reviewed and discussed the Company's mission to see if it was still relevant for today, evaluated the proposed strategy, and made changes and suggestions. The market assessment report was tabled, discussed, and related to the future of the organization. After lunch, the previous year's financial results were reviewed.

In order to evaluate the success of the new advisory board, five members were asked for their comments on the meeting one week later. Exhibit 3 outlines the feedback. Clearly, Ontario Engineering is starting to use the board effectively and to involve them in strategy. (Subsequently, Ontario Engineering added one more advisor, a human resource consultant, to provide the people dimension to the board.)

Exhibit 3
Ontario Engineering Board of Advisors Meeting Feedback

- | | |
|------------------|---------------------------------|
| <u>President</u> | - Too much detailed discussion. |
| | - Some irrelevancies. |

- Insufficient discussion on strategy.
- Too unstructured.
- Recommendation: Have a meeting to structure meeting.

V.P. Finance

- First half (am) on track.
- Meeting dragged into detail.
- Meeting should have taken place earlier in the year.
- Better than previous board meetings.
- More planning.

Outside Director

- Good meeting on marketing aspects.
- Good comments.
- Good guiding.
- Previous meetings were mainly financial in nature and budget.
- Quasi boards should not approve things.
- Papers, etc. should be issued beforehand.

Outside Director

- Good meeting.
- Board can help in nuts and bolts.
- Much better than previous meetings. Less dictatorial and less self-justification.
- President seeks serious advice.

Outside Director

- Good discussion of strategy.
- Board received an understanding of external and internal environment.
- Board became a true advisory body.
- Avoided detailed financial discussion of the past.
- Focus on the future.