

Independent Boards Can Strengthen and Energize Private Businesses by Don Williamson, Managing Director



When you are facing a big challenge, getting a fresh perspective can lead to new ideas and creative solutions. That's the approach a \$300 million mechanical contractor is taking to accelerate its performance from good to great.

The company, which works for clients on both the east and west coasts, was recently selected "Commercial Contractor of the Year" by *Contracting Business Magazine*. Yet the CEO wasn't satisfied with the success to date. After several meetings with Jim Collins, author of *Built to Last* and *Good to Great*, the CEO realized that he and the rest of the management team were too close to the business to get a completely objective view of the strengths and weaknesses of the company. An outside perspective was needed to provide a frank and constructive critique on the company's mission, strategies and CEO

succession plan.

The solution was to form an outside Board of Advisers, a group of experienced and impartial business leaders including a former vice chairman of a Southern California bank, the current president of west coast operations for a NYSE commercial real estate company, and a former CEO of a construction/construction materials company.

How the Board of Advisers works

Like a traditional board, the Board of Advisers meets four times a year with the CEO and the executive team. Additionally, on the morning following each quarterly board meeting, the Board of Advisers meets privately with the CEO to provide feedback on the meeting, company leadership and other business issues. The Board of Advisers also participates in the annual meeting of the company and its financial partners — its CPA, law firm, banks, and bonding agent.

The Board of Advisers' most pressing task has been assisting the CEO with a succession plan. Three internal candidates have been identified for the succession, which will take place within five years. The Board of Advisers meets regularly with the CEO to discuss the succession planning process and also provided an objective critique of five-year vision statements written by each of the candidates. Other agenda items for the Board of Advisers have included:

- Employee safety
- Annual business plan
- Most recent period financial performance
- Incentive plans
- Major organization structure changes
- Succession plans for other key personnel
- Corporate strategy changes

Progress to date

Although it took some time for the Board of Advisers to learn the company's business — and for senior management to be comfortable with sharing sensitive information with an outside partner — the CEO has been pleased with the relationship, especially the frank critique and suggestions for improvement. The performance evaluations of the three CEO succession candidates have been well received, and the board's suggestions to improve employee safety have been adopted.

Additionally, at the suggestion of the Board of Advisers, the company performed special business reviews, including an analysis of the company's financial performance vs. its peer group and a summary of lessons learned from major construction projects completed in the current year. It also counseled the company on the timing and pricing of the sale/leaseback of the corporate headquarters building, and it initiated a strategic review of an underperforming unit of the company that led to the closing of the unit and significant savings for the company.

Because the CEO was willing to trust a group of advisers who could "step back" and give him a broad and unbiased perspective, his company is on the path from good to great. Understandably, the CEO has renewed the relationship with the Board of Advisers for a second year.

About Compass Executives

Compass Executives is a Nashville-based group of seasoned, C-Level executives providing management consulting services to businesses throughout the southeast. For more information, visit www.compassexecutives.com.

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