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## **Embrace Global Entrepreneurial Governance with a Strategic Sounding Board**

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### **Article at a glance**

- A reliable set of advisors is crucial when a leader plans to expand the business globally.
- Leadership teams sometimes must work in untraditional ways to develop a deep level of understanding and trust.
- Disagreement can be productive and can lead to strong management decisions.

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*Global entrepreneurial leaders know that it is lonely at the top. It is crucial to have an objective and reliable “sounding board” to vet key ideas and strategies, especially with prior operating experience, to discuss global growth plans.*

*In Andrew Sherman’s new book, Essays on Governance, there are insights for leaders and board members of companies of all sizes. In Chapter 32, Verne Harnish, a thought leader on global growth strategies and founder of Gazelles International discusses the importance of “The Council,” a concept first introduced by author Jim Collins in his seminal book, Good to Great. In this CIPE Feature Service article, he highlights excerpts of Verne’s chapter in Q&A format.*

**Sherman:** Verne, how is the “Council” different from a traditional Board of Directors or even a less formal Advisory Board?

**Harnish:** Unlike the standard executive or management team meeting that’s a weekly staple of most companies (or should be) or the less frequent board of directors or advisory board meeting, the formation of a Council as an additional governance tool is aimed solely at providing objective and unbiased advice to the leadership of the company on a weekly basis. It’s not about consensus building; it’s about generating “talk time” in an era when leaders have been driven to silence by technology and left to solve problems via email and text messages.

The Council is also about generating conversations around what’s genuinely vital to the success of the business and helping the entrepreneur discover and face “the brutal facts” as Jim Collins so aptly describes as critical to greatness.

**Sherman:** Can you share an example of an entrepreneur that established a Council to fuel global growth?

**Harnish:** Sure, let’s look at the case of Richard Kay, co-owner of the NBA Washington Wizards and founder of globally-recognized OTG Software.

Launched in 1992, Kay’s data management software firm grew to 450 employees with 12,000 customers, including more than 1,000 credit unions and over 500 hospitals. Going public in 2000, OTG was acquired by Legato two years later for \$403 million, of which Kay owned 40 percent. Legato was then acquired by EMC for \$1.3 billion while Kay was on the board of directors.

Underpinning this success was a simple meeting and accountability process that started with a 7:00 AM breakfast every Monday morning with Kay’s Council, including most Monday holidays, at the Bethesda Marriott Suites across from OTG’s offices in Maryland. From the day Kay started OTG until the day it sold, he and his executive team stuck to this routine. “The reason we met so early on Monday was we knew we were up against a lot of smart, well prepared competitors,” recalls Kay. “This early start to the week motivated us to prepare and helped us generate excitement as the company grew. And some of the best conversations occurred on the walks over and back from these meetings.”

Following Kay’s Council meetings were a standard set of management, sales and marketing, software development, and finance/accounting meetings that often took the executive team (and department heads as they grew) through to lunch. The key is that they had this additional breakfast meeting that was more open ended, giving the top team a chance to talk through the challenges facing the company every week. I sat in on some of these meetings and observed as Kay’s team would debate, laugh, discuss, decide, and most importantly, talk openly and candidly with no set agenda. The more tactical issues were then handled during the follow-on functional meetings.

**Sherman:** How does the leadership team react and interact with the Council?

**Harnish:** Pat Lencioni, author of the best seller *Five Dysfunctions of a Team*, emphasizes the importance of a team being both smart and healthy

– healthy being defined as having a level of trust and understanding that allows conflicts to surface among the team members.

Let's look at the example of Lance Pederson, CEO of Oregon-based Convergence Networks. Starting in January 2012, Pederson, his business partner, and the VP of Sales and Marketing started meeting every Thursday morning at 6:00 AM at Sheri's, a local breakfast joint near their offices (they've recently switched to Friday mornings).

"At first I would say that our conversations weren't the greatest but we kept showing up each week," explains Pederson. "Eventually what started to happen was that we began to talk more and more about the future of the company and the things that we would like to see happen." One recurring topic was how they would be able to bring on five new employers a day. "This is when I finally understood the term 'blue sky' – some of the things you come up with are pretty wild but if you can pull them off they would totally work," recalls Pederson.

The team then started to spend more time just talking about one another when they were younger and the crazy things they did. Lencioni has emphasized the importance of team members doing just this to develop a deeper level of understanding and trust.

"We would talk about our families and stuff like that," notes Pederson. "Now for most that probably doesn't sound like a big deal but I just so happen to be one of those guys that is pretty much dead serious all day long at work." The informal breakfast setting worked out better for Pederson because he didn't feel pressure to have to discuss strictly business – he knew that his team would have time to cover the tactical issues of running the company in a more formal meeting later on in the day.

"I could go on and on at how beneficial it has been for us, but the bottom line is that we are more connected as a management team in every facet. We no longer spend countless hours debating

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the semantics of a point. We accept each other for who we are because we know each other at a deeper level than we previously did," explains Pederson.

"As we all know running a great company starts at the top. If your management team isn't on the same page then the rest of the organization doesn't stand a chance."

**Sherman:** Can you share one more example where a Council really had an impact on a leader's life?

**Harnish:** Sure, let's take the case of Nick Arrigan, Senior Account Manager of New Jersey-based Vega Consulting Solutions, who was so inspired by his Council that it spurred him to start weekly walks with his children individually. Recalling his first week, Arrigan shared, "it was like a typical sappy Broadway review. We laughed, we cried, it was amazing."

It was another weekly walk that was behind the successful first season for Bret Bielema, coach of the Capital One Bowl Champion Wisconsin Badgers college football team. Following in the footsteps of the legendary Barry Alvarez, who took the Badgers to eight bowl wins in 16 seasons, all eyes were on Bielema, the second youngest coach in U.S. college football.

Though Alvarez and Bielema talked frequently, every Thursday Alvarez and Bielema took a scheduled hour and half walk. Noted Bielema, in a *Wisconsin State Journal* interview “During the season, it was about games that weekend, matchups. I’ll usually go in there with a couple thoughts, questions to bounce off him about the direction of the program. We’ve really become good friends, more than anything else.”

And when Alvarez asked if it was OK if he missed the Capitol One Bowl game, since he was doing color commentary for the Fiesta Bowl on the same day, Bielema responded affirmatively, so long as they still did their Thursday walk – which was scheduled on a Saturday to keep it two days before the game like in the regular season.

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