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How to Create an Advisory Board for Your Business

For immediate release

Irvine, Calif.—November 11, 2003—“In this challenging economy, many firms simply work at keeping customers rather than planning for growth,” says Partner Steve Rapattoni of Stonefield Josephson, a California-based certified public accounting and business advisory firm. “Don’t get trapped managing your firm day-to-day,” says Rapattoni. “If you do not continuously provide value to customers, you will be forced to compete on price, and that’s the beginning of the end.” Rapattoni says one important way to position your firm for growth is to create an advisory board.

Building a vibrant business through the use of an advisory board offers “a huge competitive advantage,” says Rapattoni. “An advisory board will challenge you to think strategically about growth. The board will provide a framework for making good decisions. Your board should hold you accountable for following through on plans.” If you are a manager looking to grow your business and would like to create an advisory board, you may have questions about how to get started. Consider these ideas offered by Rapattoni:

Question: How do I create an advisory board?

Answer: “Think of the advisory board as your personal mentoring group,” says Rapattoni.

“Don’t operate in a vacuum, as many business owners do. Populate your board with people in a

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variety of fields who have demonstrated success.” Rapattoni suggests mining for experts in the areas of banking, accounting, marketing, insurance, management and law. “Look for leading-edge thinkers with practical experience in your own industry as well as outside your industry.”

Question: How many people should I have on my board?

Answer: “The number of members will vary depending upon the size and complexity of the business,” says Rapattoni. “A small business might have a board of three or four people. A medium-sized business may do well with five to seven. A large firm can have 10 or more members.” He adds that compensation is an issue when determining the number of members.

Question: How do I compensate my board?

Answer: Advisory board compensation varies widely, says Rapattoni. “I see many small and medium-sized firms paying each board member \$300 to \$500 per meeting, though some advisory boards do not charge fees.” Compensation to the board members of large companies can climb into the thousands of dollars per meeting plus stock options and other perks, according to Rapattoni. He adds that board members often benefit by networking with each other, and this can be a powerful incentive if your budget is tight. “Create a board with high-quality professionals and you will not have a problem attracting additional members.”

Question: How often should I meet with my board?

Answer: Rapattoni says that quarterly meetings work well for most companies. “If you meet quarterly, you have a chance to implement the ideas discussed by the board.” He adds that a business owner should call together the board when faced with a crisis or a unique opportunity. “Good advisors with an outside viewpoint can help you through just about anything.”

Question: How do I stay accountable to my board?

Answer: Rapattoni says that board members will stay on the job so long as they feel that meetings have meaningful outcomes. “Create an environment that allows board members to speak freely,” says Rapattoni. “The agenda should deal with your most important issues. Get opposite points of view and consider all options. Report your progress at each meeting.” He advises business owners to have an attorney draft an advisory board charter outlining the duties and responsibilities of the board. “It is not the role of board members to make management decisions or act as managers. While board members cannot take the place of management, they are looking for an opportunity to make a real contribution to your firm’s success.”

Rapattoni says, “This is the ideal time to prepare your business for growth. Do it while your competitors are bogged down by today’s problems, because better times are ahead for those who manage thoughtfully.” For information on how to create an advisory board for your own business, contact Steve Rapattoni at 949-500-5612 or srapattoni@sjaccounting.com

Stonefield Josephson, Inc. is a California-based certified public accounting and business advisory firm founded in 1975. The 100-person firm serves public and privately held clients throughout the United States and internationally from four locations: Santa Monica, Calif.; Irvine, Calif.; San Francisco and Walnut Creek, Calif. Services include assurance/accounting; business consulting (profit enhancement; finance sourcing; mergers and acquisitions; family-owned business; succession planning; executive incentive compensation; business plans and budgeting); business valuation; financial recovery; forensic services; litigation support; public companies services; and tax consulting and compliance.

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