

EXCHANGE NOTES SERIES # 2, MAY, 2006

PEER ADVISORY BOARDS:
ENTREPRENEURS LEARN BEST FROM EACH OTHER

MARIAN COOK



SHORECAP EXCHANGE

FOREWORD FROM EXCHANGE PRESIDENT

ShoreCap Exchange (Exchange or SCE), a non-profit sponsored by ShoreBank Corporation, was established to help build stronger local banks and microfinance institutions (MFIs) that serve the poor in developing rural and urban economies, primarily in Africa and Asia and to a lesser extent, in non-EU Eastern European countries.

To achieve its goals, Exchange uses a blend of capacity building approaches to strengthen local banks and MFIs including:¹

- ✚ Embedded technical assistance (TA) approaches (e.g. institutional needs assessment and TA planning, playing a role on bank boards, conducting evaluations);
- ✚ Direct one-on-one consulting services;
- ✚ Banker to Banker Peer Exchange Forums; and
- ✚ Competitively designed innovation grants (forthcoming).

Exchange's Knowledge Exchange activities among peer bankers are premised on its belief that entrepreneurs learn best from other entrepreneurs and that providing opportunities from bankers at all levels, to learn from their peers is a valuable, cost-effective and an underutilized form of business services delivery.

This paper is based on one of Exchange's peer forums – the HR Forum. This Forum meets four times a year by phone to discuss and brainstorm on subjects of peer interest, operating in some senses as a Peer Advisory Board itself. The calls are staffed by HR experts who contribute to the discussion. HR Forum calls have focused on issues identified by participants as key areas where peer insights could be useful. The first series of HR calls were related to leadership development and retention strategies. An emerging theme for the next series of calls centers around the strategic role played by HR in development financial organizations. HR Managers from financial institutions located in South and Southeast Asia, Southern, Western and Eastern Africa are part of the calls, and we would like to thank them for the valuable insights they contribute about their organizations. This paper is based on an interest these participants expressed in learning more about the subject.

We would love to hear from you on any thoughts, comments or suggestions about this paper and our various endeavors (see email at bottom of page).

All the best,

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¹ Exchange currently focuses its one-on-one technical assistance exclusively on ShoreCap International's investees. Exchange's knowledge exchange activities and banker to banker peer forums are inclusive of peer MFIs and banks that have not received an equity investment from ShoreCap International.

TABLE OF CONTENTS

| | |
|---|---|
| EXECUTIVE SUMMARY | 4 |
| PEER ADVISORY BOARDS: A LEADERSHIP NEED DEFINED | 4 |
| FURTHER DEFINING A PEER ADVISORY BOARD | 5 |
| THE PURPOSE OF A PEER ADVISORY BOARD | 6 |
| BENEFITS OF A PEER ADVISORY BOARD | 6 |
| STEPS TO CREATE A PEER ADVISORY BOARD | 8 |
| PEER ADVISORY BOARDS: LEADING AND LEARNING TOGETHER | 8 |

EXECUTIVE SUMMARY

Today's entrepreneurs are facing a world unlike that of any of their predecessors. This is certainly true for those in the development banking arena, where there is a growing need to balance the development mission with considerations of commercial viability. As a result of these evolving challenges, there is a strong need for experienced mentorship and support, especially at the leadership level. The Peer Advisory Board, the topic of this article, is one such mechanism to provide that support. A Peer Advisory Board is a carefully selected team of like-minded colleagues who provide crucial advice, accountability and guidance to each other on a regular basis. It operates much like a self-designed group mentoring program, offering the wisdom of many and being held accountable to the team. For CEOs of entrepreneurial organizations, who must respond to higher-velocity business and greater expectations, having a safe environment for relevant, timely counsel can be a valuable tool for success.

This brief outlines the Peer Advisory Board concept, including benefits derived and steps for implementation. Peer Advisory Boards vividly illustrate that a solution created by many is more effective than a solution developed by one.

PEER ADVISORY BOARDS: A LEADERSHIP NEED DEFINED

To whom can a CEO turn? A leader must always look the part: confident and knowledgeable. However, the truth is that s/he faces situations and decisions that are not taught in the classroom. Entrepreneurship offers a unique set of challenges and risks. For example, how can a CEO ensure that s/he has identified and evaluated all available options? A CEO's decision can dramatically impact the business and its employees, and the stress can be tremendous. On whom can a CEO rely for knowledgeable, informed advice? Only other senior leaders will have the practical experience and the savvy to offer relevant counsel, and a Peer Advisory Board provides an effective forum to connect them.

Most professionals, regardless of level, desire mentors: experienced colleagues who will guide and advise them. Unfortunately, it is often difficult to find the right personal and professional fit. For CEOs, the problem is heightened because their dilemmas are best understood by peers who operate outside of their organizations. This need is magnified by the increasing speed and complexity of today's banking environment. In response, some executives have recognized that they can form powerful teams through which they can mentor each other. "Teams outperform individuals acting alone or in larger organizational groupings, especially when performance requires multiple skills, judgments, and experiences," writes one of the foremost analysts of team leadership.² "A team inevitably gets better results than a collection of individuals operating within confined job roles and responsibilities."³ In the dynamic and demanding world of entrepreneurship, a strong supporting team can help catapult each participant's performance to the next level.

² Katzenbach, J. and Smith, D. *The Wisdom of Teams*. Boston: Harvard Business School, 1993. p. 9

³ Katzenbach, J. and Smith, D. *The Wisdom of Teams*. Boston: Harvard Business School, 1993. p. 9

The Peer Advisory Board can be that team. It is also a safe haven where colleagues faced with similar personal and professional challenges gather to share experiences, and to consult with one another in absolute confidence. Group members provide high quality, professional counsel and direct insights. They hold each other accountable to their stated goals, and are committed to supporting the unique visions and lauding achievements of team members.

To understand the power and relevance of this concept, consider the many challenges a bank or small business leader faces. Common challenges include (1) meeting the double bottom line of economic development and profitability; (2) maintaining effective HR intensive processes; (3) establishing a strong middle-management; and (4) developing a management information system (MIS) and infrastructure that adequately support the organization. By participating in a Peer Advisory Group, business leaders have access to a multitude of people that have come to know, trust and value each other. They share their experiences with similar situations, discuss what did and did not work, and envision new ideas and resources. All work together over time to track progress and drive results. Confidentiality is guaranteed. The concept of peer groups is so valuable that numerous organizations offer it as a benefit.

The Young Entrepreneurs Organization (YEO)⁴, for example, selects candidates from companies with annual revenues of at least \$1M, targeting leaders who are cofounders, owners or controlling shareholders of the company. YEO has more than 4,200 members in 100 chapters around the world, and it offers a program based on the Peer Advisory Board concept. Members have described this program as the number one benefit of YEO. After participating in a training program, prospective participants are placed in a group of up to twelve local peers who will meet monthly for confidential discussions. Topics range from compensation and hiring strategies to insurance coverage and legal issues. Group members may also discuss more personal issues, such as maintaining and improving work/life balance.

FURTHER DEFINING A PEER ADVISORY BOARD

A Peer Advisory Board, otherwise known as a “group mind,” “board of personal directors,” or a “mastermind group,” is a small, carefully selected group of individuals who meet regularly to help each other. The participants may be corporate employees, small business owners, or professionals from other fields. Napoleon Hill, originator of the “mastermind group” moniker, popularized the Peer Advisory Group concept with his book *Think and Grow Rich*⁵, in which he described how many top tier business and civic leaders had created these types of groups.

A Peer Advisory Board, as defined by Hill, is the “coordination of knowledge and effort, in a spirit of harmony, between two or more people, for the attainment of a definite purpose.” Group members meld their knowledge, skills, and experiences together to become a powerful force that benefits each member of the group.

⁴ For more information about YEO go to their website at www.yeo.org.

⁵ Hill, Napoleon. *Think and Grow Rich*. Random House Publishing Group:1960.

THE PURPOSE OF A PEER ADVISORY BOARD

The purpose of each group is unique because it sets its own goals, agenda and time frame. Typical reasons for creating Peer Advisory Boards include mentoring peers, supporting goal achievement, solving problems, brainstorming opportunities, exchanging best practices and improving business performance. Although this type of support is valuable at all levels, it is especially useful for those at the top of their organizations.

Many large corporations have created Peer Advisory Boards for specific “affinity groups”, such as women and minorities. These corporations recognize that such groups share similar issues and may need a safe haven for discussion.

BENEFITS OF A PEER ADVISORY BOARD

There are multiple rewards for involvement in a Peer Advisory Board. For example, a Peer Advisory Board offers the wisdom of many minds and years of experience, effectively creating multiple mentors for its participants. By creating a “think tank” environment, members can use group brainstorming and discussion to solve problems and find opportunities that may otherwise have been overlooked. This practical, affordable business advice can raise the performance of all participants. The following are examples of how Peer Advisory Boards have assisted CEOs in the past:

- ✚ Bank ABC was experiencing an increased level of employee attrition. When the CEO questioned his senior management team and others within the organization regarding the situation, the issues highlighted ranged from dissatisfaction with below-market salaries to a lack of clear communication about developmental opportunities within the bank. The CEO discussed the problem with his Peer Advisory Board and requested feedback. After analyzing the nature of the attrition, including the number of departures and the functions of personnel who had left, the team ultimately recommended that an employee satisfaction survey be conducted to elucidate specific problems. Pending the results of the survey, the bank’s Board resolved to develop an appropriate plan of action.
- ✚ The CEO of Bank XYZ wanted to restructure the bank. However, she knew that the reorganization would likely cause negative feelings among senior managers who would no longer report directly to her. The CEO did not want to lose valuable employees because of these changes, so she turned to her Peer Advisory Board for help. Fortunately, Peer Advisory Board members responded with advice based on relevant experience: two of them had been in senior management positions, when their banks were restructured, and another had just implemented a reorganization. Suggestions from the group included conducting one-on-one discussions with senior managers at an offsite retreat, and retaining a consulting company that specialized in organizational restructuring and human resources. Most importantly, the Peer Advisory Group warned the CEO that those who were intolerant to change might still leave despite her best efforts. For her, the knowledge that staff departures during restructurings were normal, and even expected, was an important lesson learned.

These examples briefly illustrate some of the key roles that could be played by Peer Advisory Boards. The benefits are discussed further below:

Efficiency

The pace at which leaders must lead today decreases the time they have to make decisions and respond to pressing issues. Having a Peer Advisory Board at their disposal enables them to use the group's "collective mind" to make efficient, well-informed decisions.

Rewards of Mentorship

Excellent bankers are known for serving their communities, and participating in Peer Advisory Boards is a great way to support their peers. Through their participation, members benefit from mentoring, learning and collaborating to solve problems. As a result, they also develop their self-confidence and coaching skills, valuable tools for any executive.

SAMPLE STANDARDS OF BEHAVIOR

1. Attend meetings and arrive on time
2. Commit to confidentiality
3. Participate to advance the accomplishments of members
4. Set and make progress toward individual goals
5. Commit to be accountable to the group
6. Maintain a supportive environment
7. Solve problems; don't enable them
8. Respect others

Accountability

The group holds its members accountable to the plans they share with each other. Frequently the Peer Advisory Board is instrumental in the development of those plans. They recognize accomplishments, and inspire each other's progress. The group can become a powerful force for change if they combine resources and work together to achieve results.

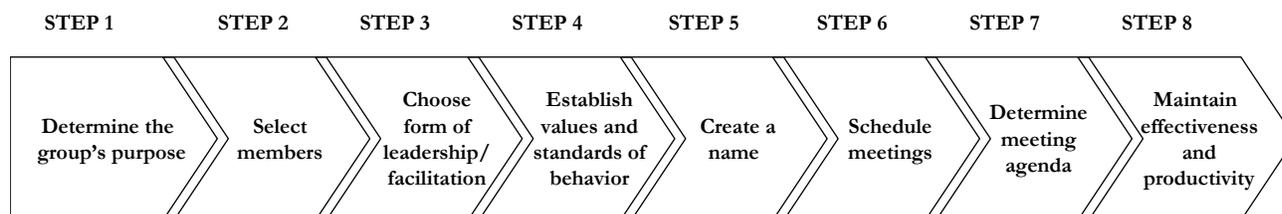
When considering Peer Advisory Boards and other forms of peer mentorship, it is important to note that different forums work for different groups based on what benefits the group hopes to derive. Another example of a successful structure for a Peer Advisory Board is the "Emerging Leaders" forum based in the United States and comprised of mid-level women managers from large corporations. Each monthly session is professionally facilitated and includes an educational component. Topics from last year focused on skills critical to career success, such as executive relationships, power and influence, self-promotion, and productivity. They also engage in group problem-solving, and commit to thirty-day goals that are tracked from meeting to meeting. Each of these components: education, brainstorming and accountability – is highly valued by the participants.

As an alternate to Peer Advisory Boards, ShoreCap Exchange hosts several peer-to-peer best practice forums that function as learning exchanges. The group selects a topic such as leadership development, and discusses what has worked for them and what issues they face. While these forums are not advisory boards, they enable conversation between peer groups facing the same challenges.

These cases demonstrate the benefits of Peer Advisory Board in terms of learning from their successes and mistakes, and using their collective experience and perspective to create better business solutions. As a result, members enhance their performances and build lasting, trusted relationships.

STEPS TO CREATE A PEER ADVISORY BOARD

Peer Advisory Boards constructed in a strategic and thoughtful manner prove effective. The following steps will help create a successful board:



The following set of questions provides guidance to ensure that a high quality board is being formed and maintained. The leadership and members should periodically revisit these questions to ensure the quality of the board's interactions.

PEER ADVISORY BOARD QUALITY CHECKLIST

1. What is the group's purpose? Will all members embrace it?
2. Who are the members and what value does each one bring to the group?
3. What form of leadership / facilitation will the group have?
4. Will one person be responsible for coordination?
5. Will there be a secretary / recorder?
6. Will a timekeeper be assigned?
7. Will the positions be rotated? If so, how often?
8. What values / standards of behavior are expected of the group? Does each group member understand and accept them?
9. What is the group's name? How will you use it to promote a sense of team?
10. Where will the meetings be held, when and for how long? Will some be longer or shorter?
11. What agenda will you follow? Will that vary?
12. How will you stay in contact between meetings?
13. How will under-performing members be handled?
14. Is this group operating for a certain time period?
15. How often will the group's effectiveness be reviewed?

PEER ADVISORY BOARDS: LEADING AND LEARNING TOGETHER

As illustrated through the Peer Advisory Board description and examples, a CEO can best rely on his or her peers. Given the turbulent nature of entrepreneurship and of the banking industry, a carefully selected advisory team is particularly valuable. The member-driven nature and mentoring component of the Peer Advisory Board address problems and identify opportunities in a confidential setting. It provides a customized channel for self-

improvement, support and camaraderie that is both enjoyable and rewarding.

No one should wait for a mentor. The need for guidance is strong, and many executives have responded by creating personal Peer Advisory Boards, or by joining those offered by other organizations. Whether in a formal or informal setting, this kind of forum provides the supportive environment needed for each member to learn and grow. Key member benefits derive from the structure of the group itself. These include a safe, interactive environment, open discussion and peer-based relationship-building. As colleagues share similar experiences and offer suggestions, they learn that a solution created by many is better than a solution created by one. CEOs win by leading and learning together.

SAMPLE AGENDA:

1. Quick update by each member (10 minutes each)
 - Good news: something positive they have accomplished or experienced
 - Share contributions (helpful information) with the group
 - What has happened since the last meeting
 - Report of how they are doing / did on meeting goals
 - What she is working on and how the group can help
2. Focus issue or topic of the meeting, discussed as a group (30 minutes)
3. Member specific time (10 minutes each): Review and brainstorm on any issue or problem they would like to discuss

SAMPLE MEETING MINUTES / PROGRESS TRACKING

Date:

Time:

Place:

In Attendance:

Meeting Topic:

Decisions / Action Items:

Description:

1. Write newsletter article

2. Document leadership development program

3. Create strategic alliance with Company XYZ

Who

Jan

Urmi

Lynn

When

Dec 1

Nov 5

Dec 2

Open Items for Future Discussion:

Meeting Topic for Next Meeting:

Next Meeting Date, Time and Place: