CEO FOCUS

CEO PEER GROUPS

Have you ever felt like you were making decisions in a vacuum?

Have you ever wished you had someone to talk to that "got it?"

Have you ever discussed important business issues with employees only to regret it later?

YES If you answered "**YES**" to any of these questions then consider a CEO peer group. These mastermind type groups allow business owners to band together to solve common business issues.

If you find a good group, it should:
1) act as a sounding board or informal board of advisors
2) hold you accountable to your goals
3) allow access to other's experiences and best practices
4) be fun.

WHAT IS A CEO GROUP?

CEO Groups are a peer consulting group of company presidents and CEOs. Typically, they meet monthly and work on business issues confronting our members. The group acts as a board of trusted advisors to each other. Group members benefit in a variety of ways:

- **Increased accountability**
- **A sounding board of business owners to bounce ideas off of**
- **A strong support network**
- **Access to professionals with complimentary strengths**
- **Improved delegation skills**
- **Better balance between work and home life**
- **Increased profitability due to using best practices from other industries**
- **Improved level of business expertise**

WHAT TYPES OF BUSINESS BELONG?

Every variety of business. Service, manufacturing, sales organizations, minority-run business, female-run business. It is this diversity that adds to the value.

SHOULDN'T I WANT A GROUP WITH PEOPLE IN MY INDUSTRY?

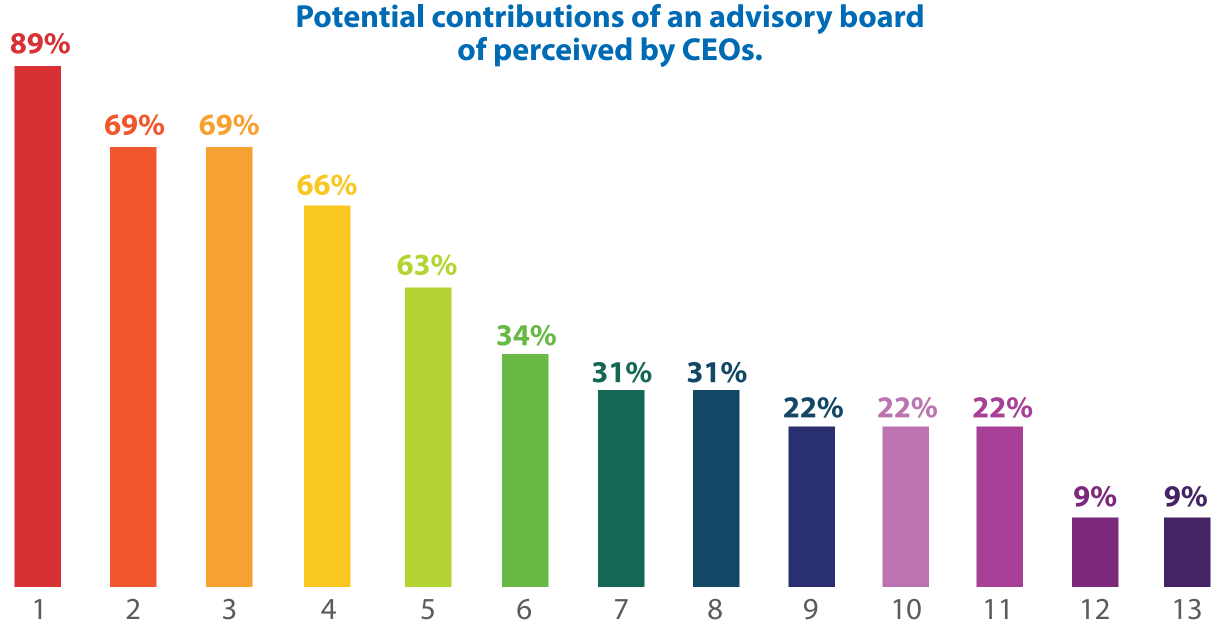
No! Your industry has inbred thinking. What it takes to break thing loose is ideas from people who don't know all the "unwritten rules" of your industry. We have seen it over and over, all the great ideas are from the people far outside your industry.

AREN'T THE GROUPS FULL OF PEOPLE WHO ARE STRUGGLING?

Absolutely not. Every business has the occasional crisis. However, typical group members are the successful CEOs who want to be ever more successful. Groups are full of bright, driven men and women. For instance, in one specific market example, a group consists of three MBAs, a phD., an attorney/MBA, two Ernst & young entrepreneur of the year finalists, and a statewide Blue chip Award Winner, and a publicly traded company(NASDAQ).

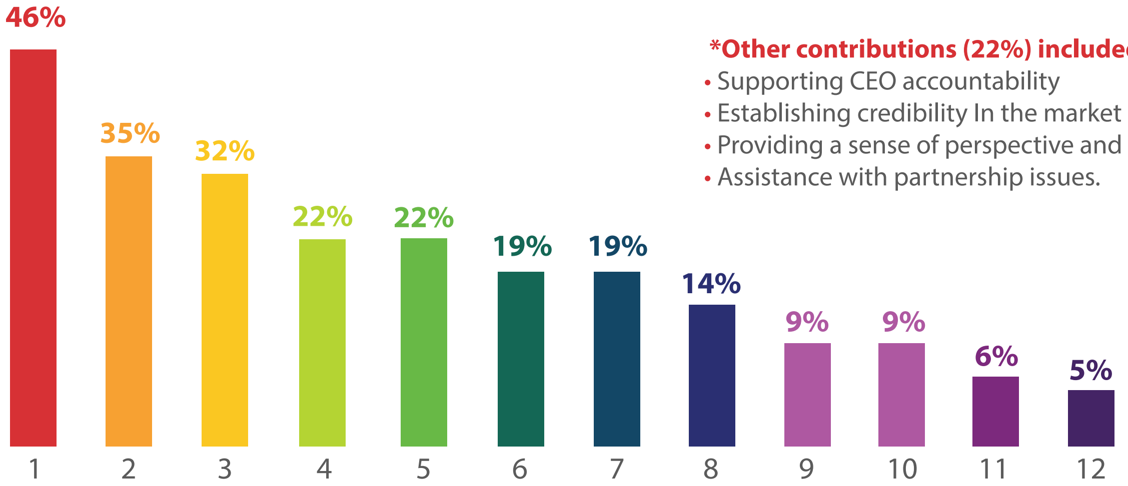
PEER ADVISORY CROUPS

Potential contributions of an advisory board of perceived by CEOs.



1. Sounding board
2. Strategy setting
3. New ideas
4. Management issues
5. CEO mentoring
6. Management mentoring
7. Business contacts
8. Business and competitive intelligence
9. Executive recruitment
10. Investment contacts
11. Training for formal board of directors
12. Direct investments
13. Other

ACTUAL CONTRIBUTORS OF ADVISORY BOARD



***Other contributions (22%) included:**

- Supporting CEO accountability
- Establishing credibility In the market place
- Providing a sense of perspective and
- Assistance with partnership issues.

The bottom line is that advisory boards can add significant value to a company and to the CEO. Starting with a clear focus on what you want the advisory board to deliver is the first step to success.

1. Strategy setting
2. Sounding board
3. CEO mentoring
4. New ideas
5. Others
5. Management mentoring
7. Training for formal board of directors
8. Management issues
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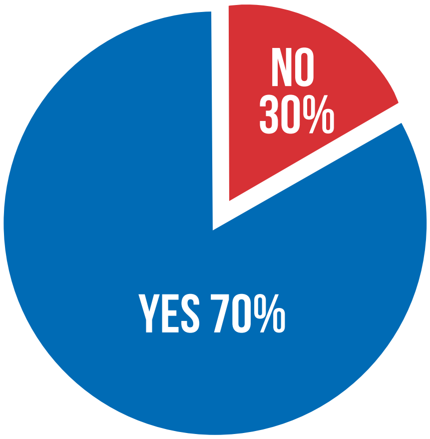
12. Business and competitive intelligence

COST OF ADVISORY BOARD

ARE ALL ADVISORS ON THE BOARD PAID THE SAME?



How much per meeting is each advisor paid?

Average fee	- $1,395
Lowest fee	- $250
Highest fee	- $6,000

How are advisors compensated?

Fee per meeting	- 49%
Other	- 16%
Fee+ equity	- 11%
Honorarium	- 5%
Equity	- 3%
Unknown	- 16%

Other methods of compensation:

Paid as consultant
"A good medal"
Expenses reimbursed
Bonus based on new sales generated through advisor

It Gets Lonely at the top Excerpted from C.O.S.E. publication by PETER D.BROSSE, ESQ., CONWAY , MARKEN , WYNER, KURNAT & KERN CO., LPA

Business owners who operate closely-held (non-publicly traded) businesses find themselves from time to time in need of new ideas, a sounding board, or a mentor to assist them in issues affecting their business. However, since it is common for a closely-held business to be run by family members or a limited number of individuals who generally also own the business, the resource of knowledge and ideas are limited to those few people. Therefore, resources can be limited and ideas can become stale. It can become frustrating and lonely leading a closely-held business. There is a solution. A board of advisors. This article will discuss the use, establishment and operations of a board of advisors.

WHAT IS A BOARD OF ADVISORS?

A board of advisors is a group of people having various areas of expertise, who generally have no economic stake in the business and are appointed by either the governing board or leadership of a business to advise the business' leadership on specific issues. There is no law requiring the appointment of an advisory board. A board of advisors is simply a tool used by a business' leadership to provide input on issues faced by the business that require certain expertise or experience which the leadership may not have.

WHY NOT HIRE MULTIPLE CONSULTANTS?

Consultants, like a board of advisors, make recommendations to the business' leadership. However, consultants are typically hired on a project basis. Conversely, a board of advisors is comprised of individuals who have made a long -term commitment to the future of the business and its leadership. This longterm involvement with the n\business permits the advisors to have knowledge of certain facts which a consultant may not be cognizant of and which may be important variables necessary to more fully assist a business' leadership when problem solving or planning.

Excerpted from C.O.S.E. publication by PETER D. BROSS£, ESQ., CONWAY, MARKEN, WYNER, KURANT & KERN CO., LPA

HOW DOES A BOARD OF ADVISORS DIFFER FROM OTHER "BOARDS" ?

State statutes require that all corporations have a board of directors. Under Ohio law, for example, a board of directories must consist of not less than three (3) directors. However, if they are only one (1) or two (2) shareholders, then the board of directories may be comprised of directories numbering one (1) or two(2) respectively. The requisite number of directors may differ from state to state. The board of directories are elected by the shareholders or owners of the corporation to which the corporation is then bound to implement through its officers. Of course, today there are other bound to implement through its officers. Of course, today there are other entities of choice, including limited liability companies and partnerships.

Limited liability companies are typically managed by either a board of managers appointed by the owners of the company or by the members (i.e. owners) of the company. Likewise, partnerships are managed by the genera; partners. In all entities the governing board or the owners themselves make decisions which legally bind the entity and must be implemented by the leadership of the business.

There are several significant differences between a board of advisors and the governing board of a business. First, the governing board is by statue required to be elected or appointed by the owners of the business. The board of directories as stated above, are elected by the shareholders, the owners of the corporation. The board of managers are appointed by the members or owners of a limited liability company. Also, in a closely-held business it is common for the owners to be on the governing board. However, a board advisors is typically appointed by the business' leadership and is not generally comprised of owners of the business.

What's more, appointment of an advisory board is voluntary and are not statutorily required. Moreover, unless specifically stated, there is no specific term for an advisor to serve. Conversely, a director must be re-elected after serving a specified period of time.

Unlike the decisions of a governing board, decisions of a board of advisors are simply recommendations, and are not binding on the adopted by the governing board of the entity. Only at the time are the recommendations binding on the entity. However, such decisions would be the decisions of the governing board and not of the board of advisors. Additionally, the governing board typically has a fiduciary duty and liability associated with serving on a business' governing board is probably the most common reason why it is difficult for closely-held business to attract individuals who do not have a stake in the business to serve on the business' governing board. Additionally, since an advisory board is composed of individuals who do not own or managed the business, it permits objective and independent thought and the added benefit of limiting conflict among the leadership of the business. This is especially true in family business and in the common situation where the owners are also the decision makers. A governing board comprised of individuals with a personal stake in the business may cloud their ability to see beyond the four walls of the business.

A board of advisors comprised of independent individuals who do not have a stake in the business may more clearly see the issues at hand and may more freely express their views.

Excerpted from C.O.S.f. publication by PETER D. BROSSE, ESQ., CONWAY, MARKEN, WYNER, KURANT & KERN CO., LPA

WHO SHOULD COMPRISE AN ADVISORY BOARD?

Advisory boards should be comprised of outsiders-individuals who do not have an economic stake in the business and who will be impartial and objective. A primary goal when establishing a board of advisors is to get fresh and objective viewpoints and to encourage a see exchange of ideas and advise. This is most likely to occur where the person has no economic stake (i.e., loss of an account or client or investment).

However, before appointing a board of advisors, the business leadership should first determine the purpose of the board of advisors and what areas it requires mentoring or decision making assistance. For example, some boards of advisors discuss and advise an issue such as compensation, employee matters, management issues, acquisitions, and divestitures.

Other advisory boards may deal specifically with certain areas of the business such as marketing, strategic planning, or management. The expertise or the board of advisors may include legal and accounting, financing and marketing. It is not unusual of the business' attorney and accountant to participate on the board of advisors.

A board of advisors may be more effective when other business owners from non-competing similar businesses participate on the advisory board. For example, if the business owner distributes a consumer product to big box retailers, the inclusion of a person from a business which also distributes non-competing consumer products to similar big box retailers may be advantageous. When organizing a board of advisors, it is important to keep in mind that the board should not be so large as to be unmanageable. Initially, perhaps the business may only include a small number of advisors. As the business evolves, additional expertise and views may be added by increasing the number of advisors or replacing members of the board.

Excerpted from C.O.S.f. publication by PETER D. BROSSE, ESQ., CONWAY, MARKEN, WYNER, KURANT & KERN CO., LPA

WHAT BUSINESS WILL BENEFIT FROM AN ADVISORY BOARD?

Both startup and mature businesses could equally benefit from a board of advisors. Why? Generally, the same issues and problems that exist in a startup also exist for a mature company. For example, it is common for a startup company to have cashflow shortages, principally from insufficient capital. Mature companies may also suffer from cashflow deficiencies, but rather than resulting from insufficient capital, cashflow difficulties may be caused by fast growth and collections of accountants receivable failing to keep up with the capital needs to fund the growth.

The dilemma to be dealt with is still the same. Both startup and mature companies have issues of compensation and hiring employees. Not only may they have in common the issue of how to attract talent, but also how to retain the talent once the employee is hired. Consequently, new and mature business may equally benefit from the implementation of an advisory board.

CONCLUSION

A board of advisors can be a very valuable tool to a closely-held business, affording the business and its leadership expertise, objectivity, and experience that the business owners and the leadership themselves may lack. Additionally, an advisory board permits the business owner to have mentors, a sounding board and permits the business owner to share the problems and successes of business ownership and operation with individuals committed to the future success of the business-making the top less lonely.

Excerpted from C.O.S.E. publication by PETER D. BROSS£, ESQ., CONWAY, MARKEN, WYNER, KURANT & KERN CO., LPA

THE WALL STREET JOURNAL.

CAN PEER GROUPS SUPPLY THE EXPERTISE YOUR LACK?

An entrepreneur's life can be lonely. Even success doesn't usually solve that problem: After all, most smaller companies can't afford a staff of experts to handle each element of the business. That leaves the entrepreneur having to get his or her arms around an increasingly Complex job.

For some, that's where a peer professional group comes in groups such as young entrepreneurs' Organization, young presidents' organization, some industry specific trade groups and even some purchasing cooperative bring together people running business looking to learn from each other's successes and failures.Peer organizations aren't networking groups. The idea isn't to get sales leads and gulp down free cocktails.

If you're in here to solicit, we'll kick you out of the organization, says Brien Biondi, chief executive officer of young entrepreneurs' organization or YEO, based in Alexandria, Va. The nonprofit group, which charges $850 to join and is supported by grants, is made up of entrepreneurs younger than 40 who run business with sales of at least $1 million.

At their best, peer groups allow entrepreneurs, in a confident setting, to share their toughest and personal problems with people who have experienced similar challenges.It's not for everyone. If you'd be disinclined to see a marriage counselor about trouble with your spouse, this sort of roundtable tell-all probably isn't for you. And if you can't break away for a few hours of a month for regular meetings, then it doesn't make sense, either. And, of course, the quality and thoughtfulness of the peers you meet is crucial: personal chemistry and roughly commensurate experience are important.

TAKING IT OVER

"It's very helpful" to be a YEO member, "being an entrepreneur and young and married," says Eillen Spaitalny, 36, president and co-owner of Fairytale Brownies Inc., based in chandler, Ariz. "You've got stresses in your life you don't walk to talk about at a barbecue."

YEO places members on local panels, known as forums, of 10 or fewer people, none competitors with each other, and they meet for three hours or so monthly. At Ms. Spitalny's forum, they begin by each telling the best and worst thing going on their business and personal lives during the past month. That's an icebreaker, and fairly quickly, Ms. Spitalny found, members come to understand Each other's business.

She found she got some good advice for Fairytale, which expects $6 million in brownie sales, mostly mail order, for the year ending June 30, 2003, up 33% from last year's $4.5 million. And half of the total sales come during the month.

As the pace quickness and her work force temporarily more than doubles, Ms. Spitalny says, she struggled to keep everyone informed and yet not slow the operation down with too-long meetings among employees. Her YEO colleagues convinced her, she says, that "we were probably talking too much" and with too loose an agenda.

So, somewhat against her hang-loose impulses, she and her partner have reduced the number of meeting and made them shorter and more formal, which has helped speed production and improve efficiency.

Ms. Spitalny wishes there were more woman and minorities in YEO, who would benefit from the forums and would bring a wider range of experiences and viewpoints to the organization. She counts fewer than 10 women in the 1 DO-member Arizona chapter, and still fewer minorities.

Matt Stewart is Co-CEO of college Works Painting Inc., Santa Ana, Calif., which hires college students as interns each summer and trains them to manage local painting business, including selling, hiring painters and supervising work on homes and commercial buildings. It's a for-profit business, with 2002 sales of about $16 million and all that revenue comes in during the summer painting months, while costa continue year-round.

Mr. Stewart, 31, says he and his parents struggled mightily with the extreme seasonality of their business. After he joined YEO, a fellow forum member with substantial financial experience helped college works understand how to improve its banking relationship and better finance the business.

BEYOND MENTORS:

David Vinson, CEO of Optate Inc., an Ann Arbor, Mich., firm that sells big companies human-resources software that helps workers analyze and choose benefits, says he tried finding informal mentors.

"It's often very difficult to reach these individuals and engage them on a level of peer-t-peer relevance," he says. "It wasn't structured. It was very sporadic."

Raising $14 million of venture capital for Optate mostly in 2000, as the internet bubble was bursting, Mr. Vinson found himself with an investor-appointed outside board asking very tough questions about results. That board wasn't the place to share his fears and worries.

He joined YEO as "a way for me to stop outside the pressure zone, "Mr. Vinson says He's among fellow entrepreneurs facing similar pressures, he feels, whose feedback is "unbiased and nonjudgmental. Unfortunately boards don't take the approach." Optate expects to be profitable next year, he says.

YEO members tend to also seek outside advice elsewhere - to ask for suggestions. Criticism, general mentoring rather than keep their own counsel. Mr. Spitalny, too, has an outside advisory board that encouraged fairytale to develop its management team to allow the company's partners to focus on long term strategy.

THE ORIGINAL MASTERMIND GROUP

The original business peer mastermind group consisting of:

- **Thomas Edison**
- **Harvey Firestone**
- **Henry Ford**
- **Herbert Hoover**

POSITIVE PEER PRESSURE

Abstract from article by Karen J. Bannan

Being the No.1 decision maker at your business can be gratifying. But who do you talk to when your job gets stressful? Who can you turn to for help with daily challenges and frustrations? Many small business owners are relying on their peer groups to be such valuable sounding boards.

A popular networking option for those seeking advice, education and camaraderie, peer group membership is quickly catching on as an essential tool for small business success.

When his general manager quit suddenly, Ed Bunzol was left in a quandary. The president and owner of Addison, Il1.-based metron Electrical Rebuilders, a company that manufactures aftermarket auto parts, needed a new GM right away. But what was the best way to recruit? Bunzol knew want ads often attracted too many applications, most of them ill-situated for the advertised job.

To winnow down the applicant pool, he wanted to craft an ad that specifically described the perfect candidate. Still, he wasn't quite sure what to write. That's when he took his problem before a group of other small business owners-his peer. Within hours bunzol had just the right wording for the ad.

SOUNDING OFF

Unlike business associations, peer groups have little to do with promoting groups of like-minded professionals. Instead, they concentrate on the individual's needs. Of the three main types of peer groups, one type is more geared to skill- and knowledge-building , bringing in guest speakers and educators. A second type - sometimes called a mentoring group functions as an informal sounding board for members to discuss and debate issues of concern. A third option combines all of the above, mixing education with socialization.

All three types of groups meet on a regular basis-either weekly or monthly. Usually the organizations, which can have hundreds of members, are broken into smaller sub-groups of a dozen or fewer people. Because each sub-group has no more than one member of a certain business segment, competition between members is not a problem.

Peer group founders say their organization give small business access to knowledge and contacts that would be difficult to find outside the groups. Aside from business opportunities and information, many small business owners say peer groups provide something that no other group can: an instant panacea for the loneliness and isolation that comes from being your own boss. Steve craney, president and founder of Riverside Electronics in Lewiston, Minn., says his group gives him much-needed boosts, but also holds him accountable for setting and completing goals.

Norma Menkin, the founder of gainor staffing in Ney York and a member of a business group similar to CEO focus called let's talk business!, says another fringe benefit of peer groups is the new business they can trigger. When small business owners get to know each other, they are more likely to call on a fellow owner when they're in the market for that person's services. "There's definitely a high level of trust within the groups" she says.

FINDING YOUR NICHE

While the premise behind peer groups might sound like a great idea, integrating that idea into your life may take a little work. Unless you find a group that meets your personal needs, attendance can cost more than just a few hours of your time. For one thing, peer group fees aren't cheap. Membership dues can range from several hundred to tens of thousands of dollars each year. Often the more you pay, the more exclusive your group is.

Carney got involved in his current peer group in 1986, a few years after starting his own business. Since he was familiar with formal corporate-based peer groups - Craney worked for a large business before venturing out on his own - he was looking for something a little less structured.

"I'd been to other peer groups and some of them were very formal. They quote the Harvard Business Review and Jack Welsh," says Craney, who takes two days out of every month and drives 100 miles to his group meetings. "I can get that on my own. I was looking for a group of people who don't fit into the corporate structure - people who are used to thinking outside the box."

DEVELOPING THE RIGHT DYNAMIC

So how do you build a successful peer group? Most importantly, say experts, everyone in the group should be at the same income and experience levels. Mixing brand-new business owners with those who have been around for years can create tension or boredom.

"The problems you have with a $50 million to $100 million company are very different than those you'll have running a company that falls into the $1 million to $15 million range, " says Bunzol. "someone who comes in at a drastically different income level is going to fit into the group like a round peg fits into a square hole."

Strong group leaders are essential, and these facilitators must be able to both lead a discussion and sit back and let it happen. They also should be willing to exclude people who don't fit with the group's dynamic, says Alec Horniman, a professor of business administration at Darden Graduate school of business administration at the university of Viriginia. "The downside to every group is that there's someone with a different agenda than the rest," he says.

"That can really hurt a group if it's left to fester." Also destructive to a peer group is a member who talks too much outside of meetings, which is why most reputable groups require members to sign confidentiality agreements.

GETTING PERSONAL

Members are quick to sign the praises of their peer groups, but they will also admit their faults. Most cite two examples: the caustic or outspoken member and those who join and never show up. One expert says business owners can protect themselves from negative group members by being careful not to disclose a lot of personal or professional information too soon after joining.

"Any group setting is going to become increasingly personal and when you get in that position, it feels great. You may have a tendency to go overboard," says Horniman. "You have to remain cautions - not skeptical, but cautions-to get the most out of a group."

Still, most members say the benefits outweigh any risks. Says Menkin: "you're getting an amazing and advises you about strategic planning, public relations, business opportunities. When you voice concerns and goals in front of other people, they have a lot more strength to them."

CEO PEER GROUPS

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