

## GOVERNANCE

# ABOVE BOARD

*Expansion is just one of the reasons why private companies may want to appoint one or more external directors, writes Tony Kaye*

**F**OR Chris Ryan and Adam Rockett, the decision to appoint four independent directors to their company board earlier this year was simply a case of going to the next level.

In just five years, the joint founders of Brisbane-based mobile phones and equipment wholesaler Strike Group Australia, both still in their mid-twenties, have single-handedly created a \$12 million telecommunications business that sells to 72 countries.

As the primary distributor of LG mobile phones in Australia, and with clients including Singapore Telecommunications — the parent company of Optus — one could assume the owners are doing well off their own bat. That they are, but as Ryan explains, Strike is now likely to achieve much greater global growth by having a board of expert advisers at its fingertips.

"We got ourselves to the stage late last year thinking that if we wanted Strike to really step up and start to play in the bigger league, we needed to get bigger experience on the board," Ryan says.



Board room: Adam Rockett and Chris Ryan in conference

Picture: David Sproule

**They're all blokes who know the ways of the world better than us**

After identifying the types of experience they needed, and undertaking a rigorous hiring process, Strike now has a board of directors with strong expertise in sales and marketing, accounting, legal affairs and capital raising exercises. "They're all blokes who know the ways of the world better than us," Ryan says. "They have the knowledge and the experience and we've always found that to work with people who have been there before fast-tracks having to find out the information yourself through mistakes."

Business expansion is just one of the reasons why private companies may want to appoint one or more external directors to the board. Neil MacLeod, a principal of Melbourne-based consulting firm Non Executive Management, says sometimes the decision to appoint independent directors comes down to the owners wanting to move away from the day-to-day activities. "The owners may not be moving out of the business, but they may have a different area of focus.

Another reason may be to appoint directors who can assist in their network in terms of business development. There are a number of different trigger points, depending on the goals of the business."

Ernst & Young's managing partner, strategic growth markets, Patrick Winter, says it doesn't necessarily follow that a business reaches a certain revenue or employee number and then needs to appoint an independent director to the board. "It varies in the life cycle of companies, from company to company, and it may vary on the history of the company," he says. "I've seen many smaller start-up companies, where you may think there isn't a need, where you have independent directors at an early stage."

Winter says there are also many cases of quite large companies with long histories where the owners want absolute control rather than having external directors.

"To many founders, that is a very hard hurdle to get over because they find it difficult to let go of control. It can be seen as the thin edge of the wedge."

Winter says there is often a trigger point when a company is considering some form of succession planning and needs external assistance in that process.

Other triggers are when companies look at growth via acquisition, potential exit opportunities by way of trade sale, private equity injection into the company or initial public offering.

Another trigger point may be when they are looking at organic growth, by way of exports such as Strike Group, or setting up in offshore locations.

Winter says independent directors can help owners work on their business, questioning their strategies and ensuring they adhere to their business plan. Often the first port of call is their accountant or solicitor, who can assist in finding appropriate directors.

Sue Jauncey, a director of Global Board Consulting, says an owner-operator looking for a next phase of growth is more inclined to appoint an advisory board, who can work with the group over a defined period: "We would be encouraging enormously to make sure that the terms of office and the expectations for directors are made very clear."