Peer Advisory Groups: Providing an Outside Perspective
Danny Klinefelter

In the book *The Breakthrough Company*, Douglas Adams is quoted: “Human beings, who are almost unique in having the ability to learn from the experience of others, are also remarkable for their disinclination to do so.”

The best managers I know recognize that however well their business is doing, someone, somewhere has a better idea or way of doing things. One of my favorite quotes is by Jack Welch, the former chairman and CEO of General Electric, who said “The only truly sustainable competitive advantage is the ability to learn and adapt faster than your competition.”

I believe peer advisory groups can be a cost effective way to help farm CEOs address the need for continual exposure to different perspectives and new ideas, as well as providing a way to continue the never ending process of finding ways to become better managers. Even though this makes sense in concept, groups are successful only if they are made up of the right people. The chemistry and trust between the members is critical. However, bringing together experienced people who have or are facing similar challenges can be extremely helpful.

It should be noted that peer groups aren’t just for CEOs. Groups of successors, CFOs, marketing managers, operations managers, human resource managers, etc., have also been formed.

Peer groups are typically made up of 5-10 producers. Members are usually not neighbors, direct competitors or anyone who might have a conflict of interest. It also helps to bring together people with different strengths. Openness and candor are critical to getting the most benefit. Members of groups often tell me they hear things they don’t like to hear, but need to hear. That is where much of the value occurs. If everyone is to get maximum benefit, they need to be honest and open to constructive criticism. Most groups use a professional facilitator, but some rotate the discussion leadership among the members. Meetings may be monthly, quarterly or semi-annually. Peer groups essentially allow their members to have a true outside board of directors or advisors made up of people who have skin in the game. Although there is a significant time commitment and travel costs, there is no fiduciary liability and no out of pocket director’s fees like there are for an advisory board or outside directors on a corporate board.
It is not a comment that is very politically correct, but flying with the eagles and not scratching with the turkeys is a very real issue in any business. CEOs and other managers need to make sure they are seeking out and interacting with the successful people in their industry and not hanging out with the losers. This is essential for stimulation, motivation, and personal growth. Successful people challenge you and force you to think, they cause you to consider alternatives and they inspire you. Losers tend to be victims. Everything that goes wrong is someone else’s fault. They jealous of success, they are tradition bound, they can’t see alternatives, and they drag you down to their level.

The following are just some of the advantages a peer group can offer:

1. In closely-held businesses, the CEO and other members of the management team also frequently view issues from the same vantage point. This tends to create blind spots and limit objectivity. Peer groups provide a way to overcome that problem.

2. CEOs and successors need a “sounding board” for their ideas. Have they missed anything, are there alternatives they haven’t considered and what are some of the implementation issues that may not have occurred to them? Peer group discussions can provide feedback on plans and ideas, explore what if questions, allow members to draw on the experience of others, and help provide greater insight and objectivity.

3. The ability to draw on different individual’s strengths can benefit everyone involved. Within a group some people will have greater skills and interest in market analysis, some in personnel management, some in management information systems, others will be computer/technology buffs, and some will be strong in particular operational/production areas. Peer groups can be an effective way to overcome weaknesses and complement strengths. Too many managers attempt to reinvent the wheel when someone else already has a solution.

4. Business success takes vision and insight. Peer groups can help turn the focus away from the day to day issues and look at the bigger picture that can improve your odds of success.

5. Support can often be as valuable as the ideas gained. This may involve the encouragement needed to try a new idea or see
something through to completion. It can also help in breaking out of an old mindset or offering the support needed during periods of stress or financial hardship. Everyone needs someone they can count on when faced with a challenge.

6. Managing a small, growing business. Friends and family may not understand the issues that are being faced. However, every CEO or successor in a peer group has the same sense of isolation and can offer support and understanding in a way that no one else can.

7. Peer groups can also provide access to the collective membership’s network of contacts, sources of information, resources, and expertise related to specific problems or opportunities. This expanded network can also help in identifying new markets, supply sources, potential employees, and business opportunities. Some of these groups have even served as the genesis for various business alliances.

8. Coordination of field trials and the development of databases and benchmarks on marketing, production, compensation programs and comparative financial information can multiply the availability and usefulness of information, while reducing acquisition time and costs.

9. Peer groups also provide an opportunity for needs-based training. Assume that several producers decide they need training in some area of personnel management, succession planning, process improvement techniques, financial analysis, options strategies, etc. The type of program and level of expertise they need might involve anywhere from 1-3 days, and the quality of the presenter might require charges of $3000 - $5,000 a day, plus expenses. Assuming that this type of program isn’t available through their state’s extension service, the cost for one producer could be prohibitive; but, shared by 5 - 10 producers, it could be very reasonable. In addition, the questions and perspectives of multiple participants will likely open up some possibilities and issues that might not otherwise be considered.

10. Frequently, successors in closely-held businesses either won’t or can’t always effectively challenge the ideas of the CEO because doing so can lead to conflicts which have spillover effects on business and/or personal relationships. In these instances, peer groups made up of other successor candidates can give them
somewhere to get feedback on their point of view and to get help with ideas on how they might better approach the issue.

11. One of the biggest challenges many business owners face is that there is no one to answer to. There is no boss or supervisor looking over their shoulder making sure that they have completed all of their tasks. There is also no one pushing them to set higher goals and take action to attain those goals. A peer advisory group can provide the accountability needed for improving your business’s performance.

12. It is incredibly easy for a business owner to stay within their comfort zone. A peer group allows the emerging and seasoned business owner to stretch beyond their current situation and set higher goals and reach them faster than they would on their own.

These groups need ground rules, and they need to have planned agendas to keep discussions on target and for everyone’s benefit. The members need to be able to give and take. People who can’t accept criticism or who can’t admit they are wrong are not good candidates. The same is true for people who only take, but don’t contribute.

Like marriages, partnerships and business mergers, a match that looks great on the surface doesn’t always work. The right chemistry, a common vision and values are critical. You won’t really know until you start working together. As with anything, there is always a learning curve. Sometimes you have to recognize that you have the right idea but the wrong people and start over or change the make-up of the group. One recommendation I often give when groups are starting out is to have the members go through a session on personality styles using either Myers-Briggs or the DISC. It can help gain a better understanding of and appreciation for individual differences, and create more effective group interaction. Some have even developed vision or purpose statements to make sure everyone has a clear understanding of what the group is intended to accomplish.

Because membership is by invitation, groups need to start out with a basis for removing members when there isn’t the right fit or chemistry. Getting everyone’s agreement up front is critical for amicable separations. There also needs to be a confidentiality agreement, so that all members, even those who leave the group are professional enough to respect the rights of the other members.

I am a firm believer in the peer advisory group concept. Although I work
in extension, I don’t think continuing education programs or experience can provide everything producers need to achieve or remain on top. Peer groups afford a very personalized and ongoing management development opportunity. There are two times, however, when I feel they can make a critical difference. The first is in good times when it is too easy to become complacent. The second is bad times when the margin for error is small and it can become easy to be paralyzed by fear.

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