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## Board of Advisers Can Help Steer Small Firms to Right Tack

*Sailing-School Veterans Get Surprising Answers To Keep Business Afloat*

By PHRED DVORAK March 3, 2008; Page B4

BERKELEY, Calif. -- Last year, after 28 years of running what is now one of the largest sailing schools in the U.S., Richard Jepsen and Anthony Sandberg decided they needed help.

Their company, O.C. Sailing Club Inc., had grown to about \$3 million in annual revenue and a staff of 75. But profits had always been weak, and the pair had run out of ideas for fixing the problem themselves.

Messrs. Jepsen and Sandberg recruited four local businesspeople to an advisory board. One, a former management consultant, helped Messrs. Jepsen and Sandberg better understand how the business made money. Another, a marketing consultant, urged the pair to rethink how they promote the company, known as OCSC Sailing.



Max Sancher/OCSC Sailing

The new approaches helped OCSC Sailing increase profit 30% last year, says Mr. Jepsen, the chief executive officer. The experience also convinced the pair that outsiders with management skills can help even veteran executives know their businesses better.

"We thought we were the experts in the business of sailing," Mr. Jepsen says. "Getting advice was the first real breakthrough for us."

Big companies gain outside perspective from their directors or consultants, says John Slater, the OCSC adviser who for 13 years worked as a management

consultant to companies like 3M Co. and Hewlett-Packard Co.

Smaller firms mimic that approach and gain broader management know-how from advisory boards. That can be particularly helpful in areas like marketing, operations and finance, where small-business owners tend to "point and shoot," Mr. Slater says.

Mr. Sandberg started OCSC in 1979, and Mr. Jepsen joined a year later. Both were veteran sailors, but neither had formal business training. The pair wanted to build a school that focused on teaching sailing skills, rather than on prestige.

OCSC grew, and the pair assumed profits would follow. Over the years, they hired a financial-management consultant and Mr. Jepsen took some accounting classes. But the business never produced more than a small profit and Messrs. Jepsen and Sandberg, now 52 and 59 years old, respectively, were starting to think about retirement.

A turning point came in 2003, when Mr. Jepsen joined a group of local CEOs who meet monthly to discuss business problems and realized the value of advice from seasoned managers. Last year, Mr. Jepsen approached Mr. Slater, a member of OCSC's sailing club, and asked for help selecting advisers. The four advisers agreed to donate their time; Mr. Slater says he's enjoying the experience.

Mr. Jepsen says he and Mr. Sandberg "failed to test some of our most closely held assumptions about the way we did things." For example, Mr. Jepsen has always controlled the hiring of sailing instructors; the advisers suggest an employee can handle the task.

OCSC's advisers quickly saw that the company didn't thoroughly analyze revenue and costs. Mr. Jepsen says he and Mr. Sandberg had thought about analyzing finances in more detail but didn't think it would justify the time investment.

The analysis produced some big surprises. Besides its school, OCSC Sailing rents boats, sells memberships in a sailing club, runs a retail shop, hosts corporate team-building activities and offers adventure travel.

Messrs. Jepsen and Sandberg had always assumed that the sailing school was the core of the business. But the financial analysis found that the sailing club, which lets members charter boats and attend related events, generated more revenue and profit. The club memberships also provide steady and reliable income, one adviser noted. Mr. Jepsen says the two now spend more time planning club events.

There were similar revelations on the cost side. At Mr. Slater's suggestion, staffers began tracking how much time they spent on each business; they previously recorded only their total work time.

Mr. Jepsen soon noticed that OCSC's maintenance team didn't bill boat owners for all of the time they worked on those boats. Messrs. Jepsen and Sandberg held training sessions to address the problem.

In the shop, the review found that foul-weather gear, which OCSC prided itself in stocking, didn't sell as fast as caps and jackets with the OCSC logo. That spurred inventory changes that boosted the shop's profitability.

Elizabeth Becker, the marketing consultant, says she urged the initially skeptical Mr. Sandberg to draw up a marketing plan. Mr. Sandberg listed OCSC's promotional activities and compared them with data on how clients had heard about OCSC. He found to his surprise that public speaking brought in almost as many clients as more costly advertising in boat magazines and exhibits at boat shows.

Mr. Sandberg says he and Mr. Jepsen stopped advertising and started taking speech and acting lessons instead.

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