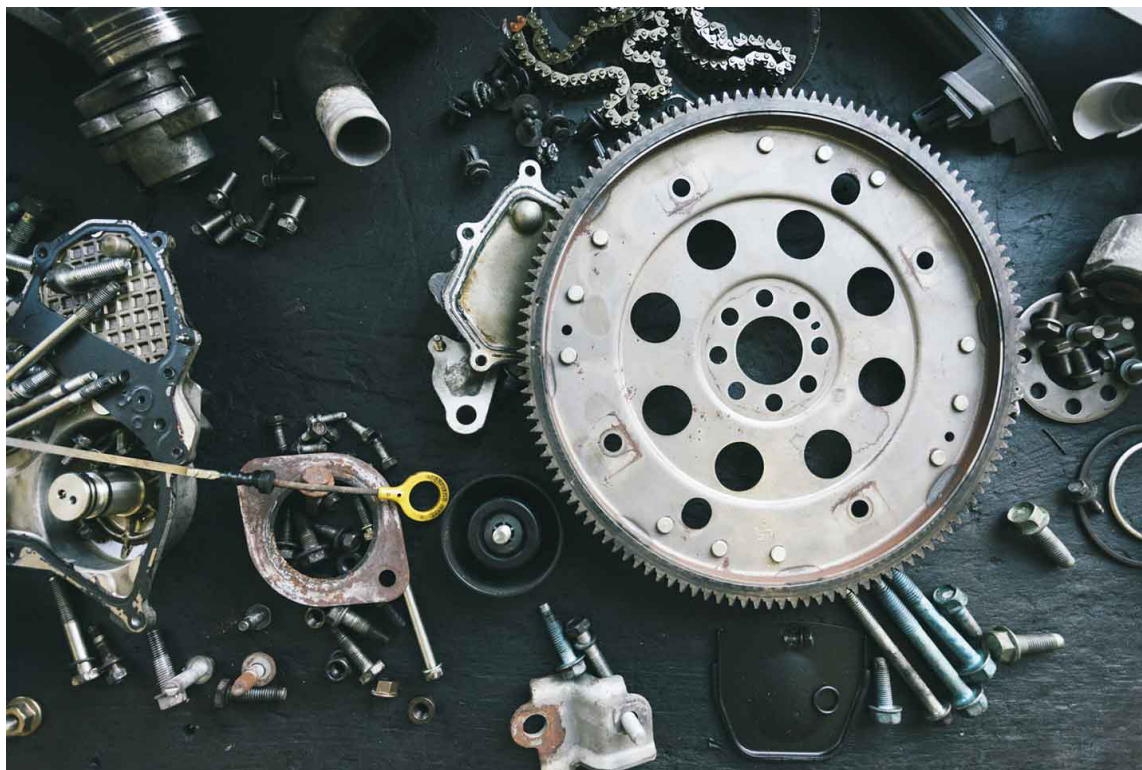


# WHAT TO CONSIDER, WHEN CONSIDERING AN ADVISORY BOARD

*A guide for business owners*

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The path of business, with its myriad challenges and opportunities, often requires more than solitary judgment. An advisory board brings together experienced minds, offering practical insights and guidance grounded in years of industry experience. It's not just about navigating challenges, but making informed decisions that lead to sustainable growth. Benefit from their lessons, avoid common pitfalls, and let informed perspectives be the foundation of your future successes.



## **Introduction:**

In the dynamic landscape of business, an advisory board can be a game-changer, providing invaluable insights, broadening perspectives, and guiding strategies. This downloadable resource is meticulously designed for forward-thinking business owners and executives contemplating the formation of an advisory board. Whether you're a start-up founder, a seasoned entrepreneur, or a corporate leader, this guide will provide you with a comprehensive overview of what it takes to create an effective advisory board. Delve in to learn about the nuances, common pitfalls, and best practices to ensure your advisory board becomes an asset rather than just another checkbox.

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## **Topics Covered in this Guide:**

- Introduction and Benefits of an Advisory Board
- Key Considerations for Forming an Advisory Board
- Common Traps and Pitfalls
- Steps to Create an Effective Advisory Board
- What to Do if Your Advisory Board Doesn't Work
- Things to Discuss with Your Partners Before Starting
- Conclusion & Call to Action
- About Board Associates

## What is an Advisory Board?

An advisory board is a curated group of external experts and professionals who offer guidance, insights, and advice to a company's leadership. Unlike a board of directors, which holds legal and fiduciary responsibilities and often has decision-making power, an advisory board has no formal authority to govern the organization or its leaders. Instead, the primary role of an advisory board is consultative. Their recommendations, derived from deep expertise and industry knowledge, hold significant weight even without the binding decision-making power of a board of directors. In essence, while a board of directors controls the company, an advisory board provides wisdom, connections, and counsel, helping leadership navigate challenges and capitalise on opportunities without the accompanying legal obligations.

## Benefits of an Advisory Board:

Setting up an advisory board brings more than just expert advice to the table. It introduces a structured external perspective, aids in critical decision-making, and fosters a culture of accountability. With the right mix of professionals, an advisory board can be a game-changer, offering the following benefits:

- **Expertise and Knowledge Gap Filling:** Obtain valuable insights from professionals who've been there, done that.
- **Objective Insights and Outside Perspectives:** A fresh set of eyes can often spot what internal teams might miss.
- **Credibility and Networking:** Boost your company's reputation and expand your network with the right advisors on board.
- **Market Insights and Trend Analysis:** Stay ahead of the curve with professionals who have their fingers on the pulse of the industry.
- **Accountability:** An advisory board can serve as a sounding board for your ideas, holding you accountable for your decisions and ensuring you stay on track toward achieving your strategic goals.
- **Risk Management:** Mitigate potential business risks with advice from those who've navigated similar challenges.

## When is it Time to Consider an Advisory Board?

Determining the right moment for an advisory board can be pivotal. Here are some indicators that it might be time:

- **Scaling Challenges:** Your company is facing growth challenges.
- **Industry Changes:** Disruptions or significant shifts in your sector are imminent.
- **Skill Gaps:** Specific expertise is lacking within your current team.
- **Strategic Decisions:** Upcoming major decisions like expansions, mergers, or pivots.
- **Seeking Credibility:** Aiming to enhance company reputation or investor confidence.
- **Shareholder Conflict:** Current or potential clashes among shareholders that need mediation.
- **Business Succession:** Preparing to pass on the business to a new owner or family member.

### Key Considerations:

When considering the formation of an advisory board, it's not merely about gathering industry experts. It's a strategic move that requires forethought to ensure alignment with your business goals and to derive maximum value. As you contemplate establishing this pivotal entity, consider the following crucial elements:

- **Purpose & Objectives:** Clearly define the role of the advisory board. Are they there to guide on technology, marketing, expansion, or all of the above?
- **Selection Criteria:** Seek out advisors with expertise relevant to your business needs. Consider industry experience, background diversity, and alignment with your company's values.
- **Size of the Board:** A smaller board may be more manageable, but a larger one can offer varied perspectives. Strike the right balance.
- **Compensation:** While many advisors work pro bono, others may expect compensation, either monetary, equity-based, or via other incentives.
- **Meeting Frequency & Duration:** Quarterly meetings might suffice, but some boards meet monthly. Ensure meetings are long enough to discuss key points, but respect everyone's time.

- **Defining Success Criteria:** Establish clear metrics or outcomes you expect from the advisory board. This will help in evaluating its effectiveness and making necessary adjustments.
- **Confidentiality & Non-Compete Agreements:** Safeguard your company's information and interests. Make sure legal agreements are in place.

## Common Traps and Pitfalls:

While advisory boards can be potent assets, their success isn't merely about assembling a group of experts. The journey from formation to effective functioning is riddled with potential pitfalls. Being aware of these common traps can help preempt them, ensuring that your advisory board remains a valuable contributor to your organization's growth and strategy. Let's delve into some of the frequent missteps and how to navigate them:

- **Wrong Membership:** Often, advisory boards may be filled with individuals who are personable and well-liked but might lack the requisite experience or impact. It's crucial to ensure that board members bring tangible value and expertise to the table rather than just being amiable.
- **Inadequate Preparation:** The success of an advisory board hinges on preparation. The agenda for each meeting should be meticulously crafted, reflecting the strategic plan of the business and addressing current strategic issues. Both board members and the executive team need to come prepared, ready to engage in meaningful debate and contribute substantively.
- **Lack of Diversity:** An advisory board that lacks varied perspectives can be limiting. It's essential to have a mix of skills, experiences, and viewpoints to drive robust decision-making and innovative solutions.
- **Lack of Accountability:** An effective advisory board demands more than members merely dispensing wisdom. Members should feel a sense of responsibility and accountability for their contributions and insights. They should be invested in the outcomes and impacts of their advice.
- **Over-Expectation:** An advisory board is there to provide guidance and insights, not to execute tasks. Placing too much operational burden on them or having unrealistic expectations can strain the relationship and dilute the board's primary purpose.

## What to Do if It Doesn't Work:

Establishing an advisory board is a significant strategic move for any organization. It's a commitment to growth, expertise, and outside perspectives. However, like any venture, its success isn't guaranteed. There may be times when the board's dynamics or outputs don't align with the company's expectations. Recognizing this misalignment early on and taking proactive measures can make the difference between a temporary hiccup and prolonged ineffectiveness. Here are steps to consider when you feel your advisory board might not be hitting the mark:

- **Assess the Membership:** A primary reason for an advisory board's ineffectiveness can stem from having the wrong members. It's vital to ensure they bring the necessary experience and impact. Sometimes, introducing new members with the desired skill set can rejuvenate the board.
- **Refocus on the Right Issues:** Misalignment in focus can hinder the board's effectiveness. Ensure discussions align with your company's strategic goals, addressing the most pressing challenges and opportunities.
- **Evaluate the Advice's Impact:** If advice isn't producing the desired results, identify the root cause. Is it the advice itself, or a gap in its execution? An open dialogue about outcomes can pinpoint the disconnect.
- **Open Communication with the Chair:** The chair plays a pivotal role in ensuring the board's effectiveness. As such, it's crucial to maintain an honest and constant line of communication with them. Their leadership and guidance can navigate the board through challenges, ensuring alignment and productivity.
- **Dissolution as a Last Resort:** If the board consistently fails to provide value despite multiple adjustments, consider its dissolution. Handle this decision professionally, expressing gratitude for members' contributions.

## Steps to Create an Advisory Board:

Establishing an advisory board is more than just inviting experts to give advice. It's about crafting a symbiotic relationship where both parties — your company and the advisors — benefit and grow. To ensure a seamless setup and a fruitful collaboration, follow these systematic steps:

- **Set Clear Goals:** Outline the main challenges you want the advisory board to address.
- **Identify Potential Advisors:** Use your network, attend industry events, or get referrals to find potential candidates.
- **Outreach & Interview:** When reaching out, be genuine about why you believe they'd be a great fit. Assess their compatibility during interviews.
- **Formalize with an Agreement:** Clearly outline their roles, responsibilities, compensation (if any), and other key details.
- **Orient & Engage:** Familiarize them with your company, including its culture, objectives, and challenges.

## Things You Should Discuss with Your Partners Before You Start

Embarking on the journey of forming an advisory board is a strategic decision that goes beyond mere logistics. It's about aligning visions, setting expectations, and ensuring that all stakeholders are on the same page. Before diving into the creation of the board, it's crucial to have in-depth discussions with your business partners. Addressing specific foundational aspects upfront can pave the way for a smoothly functioning and impactful advisory board. Here are the key topics you should cover:

- **Objectives:** Beyond understanding the broad reasons for considering an advisory board, it's vital to define tangible outcomes. Ask yourselves, "What does success look like?" and "If we achieve or solve the following, will this be a valuable exercise?" These answers should then guide the board's goals.
- **Composition:**
  - **Organization's Participation:** Determine who from the organization should be actively involved in the advisory board sessions.

- **External Members:** Decide on the number of external members you'd like on the board.
- **Chair Selection:** Discuss who would be the most effective chair for the meetings.
- **Filling the Gaps:** Clearly outline the gaps or areas of expertise you're seeking to address with the board's composition.
- **Compensation:** Establish how board members will be compensated. This could include monetary compensation, equity, or other rewards.
- **Commitment:**
  - **Expectations Between Meetings:** Define what's expected of external members between meetings in terms of preparations or follow-ups.
  - **Executive Team's Commitment:** Discuss the executive team's dedication to the board, including preparation for meetings and execution of the board's recommendations.

## Conclusion

Setting up a well-structured advisory board can be a game-changer for your business's growth and evolution. If you're ready to take the plunge, we're here to help. **Connect with us at Board Associates** to make your advisory board journey seamless and successful.

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**About Board Associates:** At Board Associates, we excel in crafting and overseeing advisory boards tailored for private enterprises. With a foundation built on years of industry knowledge, our team guarantees that your board mirrors your business objectives while continually contributing value. From its initiation to ongoing management, we stand by your side, committed to transforming your advisory board into a valuable tool that enhances shareholder returns, boosts profits, and elevates customer satisfaction.