

For the purpose of this article, I am defining an advisory board as a group of individuals that provides non-binding strategic advice to you and your company. The informal nature of an advisory board gives greater flexibility in structure and management compared to a formal Board of Directors. Unlike a Board of Directors, the advisory board does not have authority to vote on corporate matters nor does it bear legal fiduciary responsibilities. An advisory board may be very beneficial to your company in that your company will benefit from the knowledge of others without the expense or formality of a Board of Directors. Advisory boards typically meet quarterly or biannually to provide strategic direction, guide quality improvement, and assess overall organizational effectiveness.

Advisory boards are comprised of accomplished experts offering innovative advice and dynamic perspectives on topics ranging from marketing to managing human resources to financing, and everything else in between.

The main reason to create an advisory board is to seek expertise outside of your company. Advisory board members should provide you with knowledge, understanding and strategic thinking of your industry and management of your company.

You should seek advisory board members whose qualities complement you and your management team. An advisory board strengthens you and your management team, but does not interfere with your authority.

The following is a list of typical roles and responsibilities:

1. Develop an understanding of your business, market and industry trends
2. Provide unbiased insights and ideas from a third party point of view
3. Encourage and support the exploration of new business ideas
4. Monitor business performance
5. Present challenges that could improve the business
6. Act as a resource for internal management

The type of advisory board members to include should be determined by the nature of what you seek and expect. Advisory board members should have distinct knowledge on different aspects of business such as marketing, product development, sales techniques, etc that are of use to you. A lack of definition in “what is sought from the advisory board” or “what sort of advice is to be sought” likely will result in a waste of time and money.

The size of an advisory board obviously affects the ability to manage the advisory board. Therefore, it is recommended that you begin with two/three advisors, and grow into the proper size for you and your company. It is important that the size of the advisory board remains efficient and manageable. Group dynamics suggests the maximum size for an advisory board is eight members.

The functioning of an advisory board is affected significantly by how effectively the group’s activities are organized and directed. Prior to the meeting, the advisory board members must be well informed of the purpose, agenda and background information for the meeting in order for them to properly prepare and provide their best possible advice.

Advisory board members may be appointed to specific terms so that it ensures they actively commit to you, and to prevent them from getting too comfortable with their positions.

Advisory board members will serve for a variety of reasons, including direct compensation. Compensation is important as it gives incentives to advisory board members to commit to you and to give the best quality advice.

## **Conclusion**

The complexity and speed of today’s business environment very often makes it difficult to seek advice on a range of topics. You may also find building trust in any person or group to provide on-going and meaningful guidance difficult. An advisory board can provide the degree of consistency, longevity and expertise you need. Assumedly you do not want to diminish control of your company by establishing a board of directors with formal responsibilities and authority. Therefore, consider an advisory board as an option to gain access to expert advice on all issues affecting you and your company.