



Advisory Boards: An Investment Opportunity for Growing Businesses

Establishing advisory boards can help spur, shape, and manage the growth of private companies. Is your business taking advantage of this intangible asset? If not, you could be leaving valuable insight and expertise on the table—making your business susceptible to risks.

While the boardroom table sits at the heart of corporate governance, strategy, and risk mitigation; technically only publicly listed companies are required to have a board. For the rest, a board is optional—and it's rare for private companies, including family-run operations, to establish one. This is the case despite evidence suggesting advisory boards can be a crucial company investment—able to not only spur growth, but also shape and manage it.

Developing strategic capacity

Investing in strategic capacity creates a powerful foundation from which to build a sustainable business. While investment cash is often accessible, many decision makers need to think more creatively, and carefully, about how they apportion it. Although seldom recognized as such, advisory boards actually falls firmly into the 'intangible asset' category. Indeed, developing a board of non-executive directors can operate as a key investment—able to ensure the company secures maximum value from specific pushes towards acquisitions, landing key talent, and business development. But, like most things in business, there's a diligent process required to build a strong advisory board.

Building a board requires a diligent process

To build an effective advisory board, a company should follow a clear and disciplined process. Generally, this comes down to seven steps:

1. Confirm your understanding of the need to create a board

An advisory board can be strategically composed to fill important gaps of technical expertise and business experience by harnessing a mix of differing ages, genders, backgrounds, cultures, and skill. It's thus an excellent mechanism through which to guide a company's growth, by:

- bringing vision, perspective, and creativity
- providing a generally balanced point of view
- expanding the company's personal and professional networks – within its sector and beyond
- acting as an insurance policy during times of transition
- acting as a sounding board for the assessment of new concepts, emerging opportunities, and risks
- providing insight and evaluation of key company talent
- providing specialist expertise in niche areas where the company may be lacking

2. Document a clear selection criteria

Once a company determines an advisory board is the right investment, the leadership team should determine and document strict selection criteria. Personal qualities to look for include: integrity, courage of conviction, a desire to learn, strong team player instincts, confidentiality, discretion, tact, and entrepreneurial initiative—just to name a few.

3. Consider your board as a whole

The next step should be to define the ideal make-up of the advisory board, and this should be carried out by the leadership team as a collaborative exercise. Age, cultural background, gender, and areas of technical specialization are all considerations to be debated and decided upon.

Ideally, an advisory board member is an active business person with significant industry experience. They must be able to provide an authentically independent and unbiased opinion on a range of matters relevant to the company. If they have specific technical expertise, so much the better.

Only once this step has been concluded should the company start seeking candidates.

4. Source the candidates

For starters, friends, family members, and paid advisors should be excluded from consideration. Regardless of how good it feels to bring close personal contacts into a business (especially a family business), this should be avoided. Quality human relationships are precious, and many have been destroyed in the pressure cooker of business.

How should the company look to source advisory board candidates? Executive search firms are always an option, but it

also makes sense to open conversations with exactly the people you know aren't suitable for the position, including friends, family members, and paid advisors. Just because people aren't suitable to join the board doesn't mean they can't offer valuable, contextually relevant, insights into who might make a good fit.

In the end, what you need is an advisory board member who has the time and inclination to engage in a radically transparent manner—with the willingness to tell you the things you may not want to hear.

5. Arrange to meet and interview the candidates

Much like filling other executive roles in your organization, interviewing the candidate is crucial. With all the preparatory work behind, it's time to start the conversations. These interviews should be on a non-commitment basis to ensure everyone involved can make a well-informed decision based off the conversations.

6. Check references and screen appropriately

When sourcing advisory board members, a thorough background check is a must. They may have a spotless track record as a professional or an executive, but you're seeking them as a board member. Do they have experience in this capacity? If so, contact their references—with discretion and sensitivity—and confirm you're getting the guidance and expertise you need.

It's also a good idea to invite candidates for a tour of your office. Introduce them to key members of the management team and invite them to ask questions—this will assist you in evaluating the candidate's ability to probe for value and to assess their approach to working collaboratively with your team.

7. Closing the deal: think creatively about structure and compensation

When making your final selection, ensure the leadership team is comfortable with the choice, and that all the upfront criteria and qualities are present. Once everyone is on board, it's time to talk commitment and compensation with the candidate.

Advisory board members can gain a lot from an appointment in terms of their own endeavours and aspirations. For this reason, remuneration for advisory board members is often small, and sometimes non-existent.

A word of caution, however. Time is a valuable asset for everyone. If a board's range of activities is extensive, participants' time must be considered, and compensation provided. This may not necessarily be an expensive exercise; but, even if it is, the investment is generally justified.

Building advisory boards—what's next?

Building advisory boards is no small task. It's a multi-step process that will require input and understanding from the entire

leadership team. In the end, selecting the right non-executive board members is a strategic investment—as they will play an active role in guiding the company through prosperity and during times of crisis.

That said, an actively engaged advisory board is likely to support you in delivering strong, sustainable, and measurable long-term results—and that’s definitely something worthy of an investment.

However, once the board has built, what’s next? In other words, how do you get the most out of your non-executive directors? We’ll explore this thought in the next article.

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