

Advisory Board Toolkit

Improve and grow your business



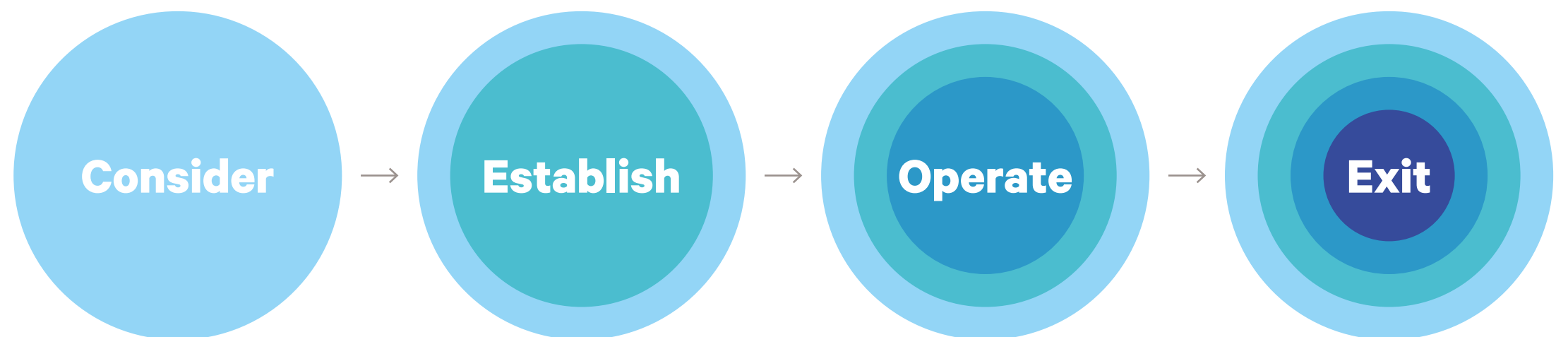
No matter what business you're in, or how big or small your business is – this toolkit will help you decide if an advisory board is right for you.

Support and guidance from an advisory board may accelerate growth, improve financial performance, manage risk or enhance operational performance.

A variety of opinions exist as to what an advisory board should be tasked with, how or if it should be rewarded, the advantage or otherwise of independence (owning equity or not), and the list goes on.

This toolkit will help answer some of the questions you may have about how an advisory board operates and provides helpful tools and tips that can be adapted to fit the specific purpose of your advisory board.

The toolkit covers the four phases of an advisory board's life cycle:



Disclaimer This toolkit has been prepared as a resource for businesses considering the establishment of an advisory board. It is not intended to be exhaustive or constitute advice. Its content should not be used or relied upon as a substitute for proper professional advice or as a basis for formulating business decisions. The Institute of Directors in New Zealand (Inc) and its employees expressly disclaim all or any liability or responsibility to any person in respect of this toolkit and in respect of anything done or omitted to be done by any person in reliance on all or any part of the contents of the toolkit.

Consider

An advisory board is a committee of people selected by a business (or a board in the case of larger companies) to provide defined advice and information in an informal and flexible manner.

Be realistic. If you are not committed to the process it will end in disappointment for all involved.

Advisory board members are not directors, have no powers and owe no duties as directors of the company. The key differentiator is that an advisory board advises only. It has no power of decision making and cannot instruct the company to act.

Effective advisory boards provide strategic and compliance guidance and know-how that is contextualised to the needs of a business in a range of business settings.

Why have an advisory board?

There are a number of reasons why you might have an advisory board.

1. Others can help your success by providing valuable business insight and oversight.
2. A specific area of interest, eg entry into a new market requires specialist advice.
3. You are looking for early stage market validation.
4. The flexibility of engagement appeals to you.
5. You need help with succession planning and/or to become investment ready.
6. You want your business to become more professional.

Small-to-medium enterprises (SMEs) can particularly benefit from the guidance of an advisory board which can be used as a business development tool and adjunct to strategic planning.

Larger companies that already have a board of directors may also set up advisory boards for a number of reasons – whether it’s to work on a particular project or deal, bring a fresh perspective to an issue, or provide particular expertise in a specific field relevant to the company.



Estefania Gallinanes-Garcia, Managing Director of Productspec.net talks about the value of an advisory board.

Are you advisory board ready?

While establishing the area of concentration for your advisory board, you need to determine if you are ready to engage in and receive feedback. This can be a daunting exercise, but it has the opportunity for major gains.

Be realistic. If you are not committed to the process it will end in disappointment for all involved.

An advisory board is different because it:

- doesn't represent shareholders
- isn't bound by fiduciary responsibility
- provides advice and support
- is less formal than a statutory board of directors
- is more flexible
- isn't a substitute for a formal board of directors
- has no power to veto, instruct or direct
- doesn't focus on governance
- deals primarily with strategic aspects of the business
- is a source of valuable business insight and oversight.



Tom Reidy of Catalyst90 explains why you should have an advisory board.

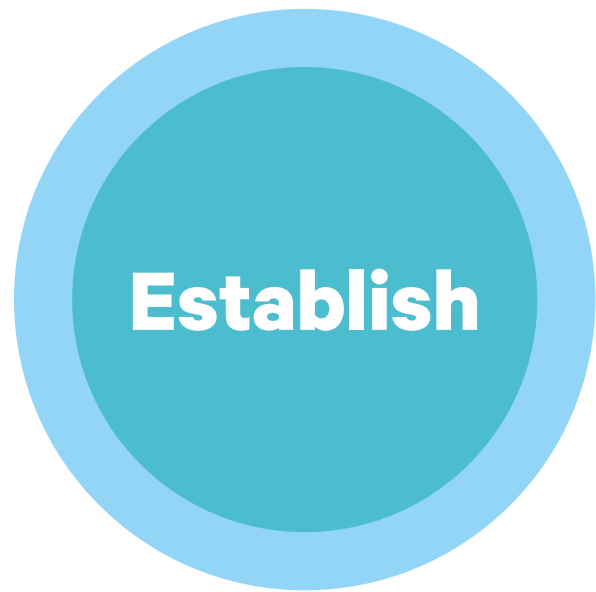
“The solution was to form an advisory board. Systems, processes and delegated authorities were put in place and the business grew in a more structured way, with the staff going from two to 35 in a few short years.”

AARON RINK, DIRECTOR AND CHIEF EXECUTIVE OF CF REESE PLUMBING

questions:

Ask yourself the following questions to help you determine if you and your business are advisory board ready.

- Do you have a reasonable idea of what you want to achieve?
- Can you easily share information that portrays your situation?
- Are you open to new ideas and insightful questions?
- Do you enjoy others contributing to your success?



Structural similarities may exist between a board of directors and an advisory board. They should both have a chair to facilitate and lead, as well as procedures for the conduct of meetings. In the case of advisory boards, the business owner is not usually the chair because this is often a skill set specifically recruited for. Your approach to recruitment doesn't need to be formal – many advisory board members have been recruited over a cup of coffee or casual drink.

“For the early stages of an advisory board it may be more beneficial to go with people with a wider skill set until you are clear on the specific need for deep experience/skills in a particular area.”

STEVE O'CONNOR, CREATIVE HQ

Define expectations

Clearly establishing what you are trying to achieve is imperative to a successful advisory board experience. Which area of the business will most benefit from external support? Aim to lock down your own expectations of your advisory board before members are engaged and then work with your advisory board members to collectively confirm the expectations of all parties and how the advisory board is going to operate.

Composition

It is really important to select a balance of individuals to join your advisory board and ensure robust but constructive debate. Setting skill criteria allows for an objective assessment of candidates, however, also look for the right chemistry (respect, shared vision, challenge and ability to get over disagreements) – both ways.

questions:

Ask yourself the following questions, to help you determine the composition of your advisory board.

- How many advisory board members are you seeking?
- Who will be involved from management?
- What specific skills will help my situation?
- What soft skills will champion cohesion?

Compensation

Compensation for your advisory board members will depend on who is recruited and how involved you need them to be. A number of options exist such as voluntary (no monetary compensation), pay per meeting, a monthly or quarterly retainer, equity in the business or a combination of the above. You need to select the right compensation option to fit your business.

Tools and templates

The tools on the following pages will help you with the establishment your advisory board:

- Tips for approaching potential advisory board members
- Candidate selection matrix
- Chair role description

Tips for approaching potential advisory board members

You need to be confident in your approach to selecting the best people for your advisory board. Be open to change as ‘best’ can mean ‘best for a particular point in time.’

Approaches to potential board members must be made with the needs specific to your advisory board in mind. You may be seeking guidance on the viability of your business, strategies for growth or to deliver on a major project. Your business is at stake so aim for quality advice from people that have been there before you.

Tip 1 – Don’t just tap your personal contacts

One of the key temptations when building a board is selecting only people you already know or those within your immediate networks.

We encourage you to go beyond your circle. A strategy for building a quality advisory board might mean approaching people outside of your networks and recruiting people you know by capability and reputation. It’s a brave step to approach a stranger to join an advisory board but there may be someone out there with major value to add to your company. Solely using friends or people who are ‘near enough’ in their skills is not a winning formula.

The key question is: Will my prospective board member add value to my company?

Tip 2 – Don’t be disappointed if a prospect is not available

Often times the person you approach may not be available to join your advisory board and this can be a deflating experience. Don’t be disappointed if you are declined as an advisory board represents a significant commitment for each person you approach. Prospective advisory board members need to take your invitation seriously.

People decline roles on advisory boards for any number of reasons and you’ve usually targeted

someone because they are highly regarded and in demand. It’s no reflection on you or the company if someone is not available. In fact, they’ve done you a favour by being clear that they could not give the company the time it deserves.

“An advisory board is not a training ground for a formal board.”

JOHN LUMSDEN, GROWLYPAW LIMITED.

Tip 3 – Both parties need to undertake due diligence

The term due diligence does not need to represent a hefty commercial process. However, you may find the prospective advisory board member wants to see the company's financial statements, strategies and business plans. They may want to check you out to see (i) the state of the business and (ii) whether they are right for your advisory board.

On your side, you should ensure the reputation and mix of skills of the person you invite is bona fide. The question to ask is: *Is this someone I can trust and work with?* Rather than looking for a friend, seek a constructive and critical friend of the company. Reference checks are not out of the question!

Tip 4 - Compatibility

Building a board is like sewing a patchwork quilt of skills and competencies into the life of your company. As best you can, try to ensure advisory board members can work effectively together and add value through their interactions.

Tip 5 - The chair and you

Your first approach should be to a potential chair. You preferably need someone with a solid track record as an advisory board chair to get the maximum contribution from the other members. If you are the business owner, you should be mindful of the concept of *Founders Disease* – a condition that afflicts business owners and presents as a sense of entitlement which hinders that person from seeking advice or counsel.

Candidate selection matrix

Are you looking to undertake a structured approach to the recruitment of advisory board members?

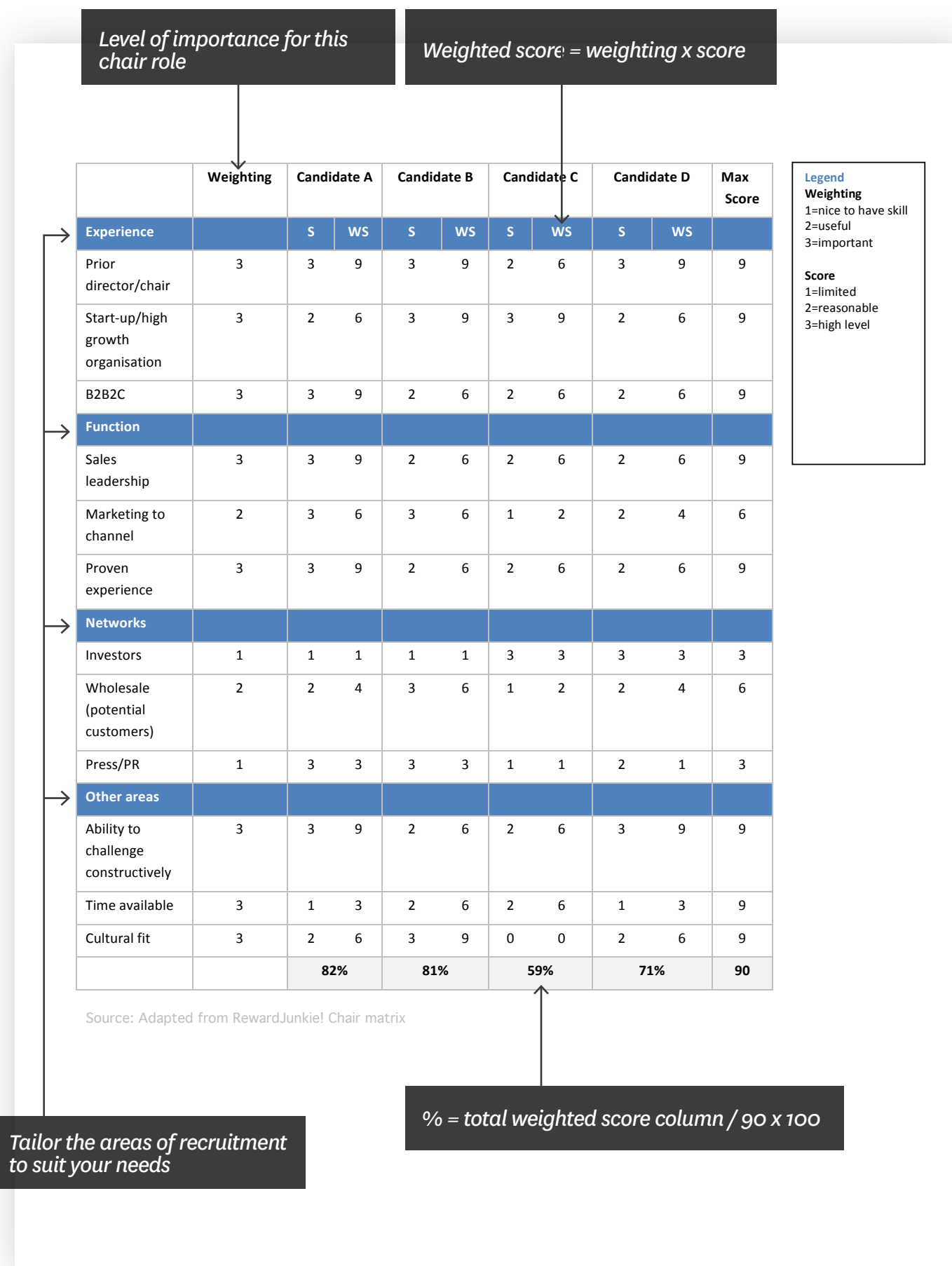
If you are, then the following example will be useful to you. The Institute of Directors acknowledges that this example has been adapted from one provided by RewardJunkie!, a start-up/high growth company. Make a copy of the matrix and adapt it to suit your own advisory board recruitment needs.

If you are going for a less formal approach to recruitment, make sure you've at least identified the areas you need help with (areas for recruitment) and give some thought to prioritising or weighting these needs to assist you in your conversation with a potential advisory board member.

The matrix on the following page is an example developed for the recruitment of a chair to lead an advisory board of a start-up company. In this example, four candidates were approached regarding this role and an objective assessment against the areas of recruitment carried out. Each area of recruitment was given a weighting to recognise its importance to the role and a maximum score. Each candidate was then given a score to measure their potential to contribute in each area and then a weighting to enable cross-candidate comparisons.

As you can see, Candidate A would be the preferred candidate for the role of chair in this example.

Example



download template

Chair role description

Often, the appointment of an experienced external advisor to the role of advisory board chair is the best place to start. An effective chair will be able to guide you through the early stages of establishing your advisory board.

The chair role description is a guide only and, if used, should be modified to become contextualised with your business's needs.

A potential candidate for this role may well drive the conversation around the prospect of their appointment in order to fully understand what you are seeking their assistance with. Having developed an overview of the role before having this conversation will help you answer any questions that prospective chairs may have.

Example

Job Description Advisory Board Chair

Overview of the role

The chair of the advisory board is responsible for ensuring that they, and other members, contribute optimally to achieving the agreed expectations of the business. This role requires a time commitment of approximately X hours per month.

Areas of responsibility

Strategic leadership

- Guide the operations of the advisory board including the setting of agendas for meetings in collaboration with the business
- Lead advisory board meetings in a manner that encourages participation and information sharing from all advisory board members
- Provide (and facilitate from other advisory board members) qualified guidance and support to the business at appropriate times
- Challenges the business's thinking to consider what is outside the box and encourage innovation.

Business acumen

- Recognises what makes a critical difference for both the business and the particular market.

Communication and engagement

- Serve as the advisory board's central point of official communication with the business.
- Develop a positive and collaborative relationship with the business representative, including acting as a sounding board for the business representative on emerging issues and alternative courses of action
- Stay up-to-date with respect to the entity's operation and determine when an issue might be resolved via interaction with and guidance from the advisory board.

Attributes

- Is truthful, trustworthy and demonstrates absolute integrity
- Upholds and lives by a strong personal standard of ethics
- Fosters cooperation and effective teamwork, is participative, collaborative and collegial, values the input of others
- Demonstrates a strong, positive first impression.



Advisory board members must not be unwittingly exposed to liability as full directors. As the business owner, or business’s representative you must have absolute discretion to accept or disregard any recommendations made by your advisory board.

Key documentation

Advisory board members may need access to a range of company documents and records to operate effectively. Pre-meeting reading materials allow the members to reflect upon and order their thoughts and may include specific areas where you want input.

Information should be distributed at least a week before each meeting. Advisory board meetings are often more like workshops that involve collective problem solving and brainstorming.

Advisory boards may have a work plan to address how it will achieve its goals over a defined period. A work plan provides focus for the advisory board and helps minimise opportunities for receiving advice outside of the scope of the plan.

The work plan should be reviewed on a regular basis to confirm its ongoing relevance.

Remember, the more formal you make your advisory board, the more likely it will be considered a formal board in the eyes of the law.

Review

Over time scope may change and different skill sets may be required on your advisory board. The agreement with advisory board members around expectations of individuals should be flexible enough to allow you to change direction yet be closely tied to the achievement of the agreed goals as key performance indicators expressed in engagement discussions.

“A good advisory board should change over time and members should relinquish their roles if they are either too early for the venture or the venture has outgrown their scope of knowledge.”

ALAN HUCKS, CREATIVE HQ

“There is a balance to be struck between strategic guidance and more tactical support. Pre-meeting materials can help set expectations in this regard. It also needs managing in meetings.”

TRACY BROWN, TREGASKIS BROWN

“My main aim with board and advisory board meetings is to be forward looking. I passionately hate meetings that only review past financials and reflect on what happened, rather than actively working on the future. Of course past performance is important and we should take lessons from whatever has happened (good and bad), but monitoring and reviewing is meaningless unless you strategise adequately for the future.”

ANDRE POST, SPLICE GROUP

Tools and templates

The tools on the following pages will help you with the operation of your advisory board:

- Work plan
- Meeting agenda
- Action summary
- Reporting dashboard

Work plan

A work plan may be useful for some advisory boards, particularly those with a business growth focus or a desire to take a structured approach and document their forward planning. Items on the work plan should be tailored to your advisory board's purpose otherwise you run the risk of losing focus or receiving advice outside your advisory board's scope. The work plan should be a living document and reviewed on a regular basis.

This example work plan is for an advisory board that has a sales and marketing focus.

Example

Modify this to suit your advisory board's purpose

Some of these work items will be relevant to your advisory board, others will not be. Work with your advisory board to put this list of work items together

Advisory board purpose – to accelerate growth (with a sales and marketing focus by x% in y period)	
Date	Work items
DD.MM.YY	<ul style="list-style-type: none"> • Review status of business and current revenue generating activities • Focus on key opportunities to confirm the present strategic plan in regard to sales and marketing.
DD.MM.YY	<ul style="list-style-type: none"> • Confirm focus on partner versus direct sales • Workshop useful indicators to measure progress.
DD.MM.YY	<ul style="list-style-type: none"> • Provide advice on strategies for personnel sourcing and remuneration.
DD.MM.YY	<ul style="list-style-type: none"> • Review partner feedback as to opportunity for new modules • Review partner feedback as to opportunity for new markets.
DD.MM.YY	<ul style="list-style-type: none"> • Strategy session on preferred new module or market • Review advisory board performance, priorities and composition.

[download template](#)

Meeting agenda

A structured meeting agenda may be useful in prioritising key topics for discussion or problem solving. If your advisory board has a work plan then your agenda structure should reflect the work items on the work plan. Remember, often advisory board meetings are run as workshop-style sessions because of the need to maximise collective strategising and problem solving.

To maximise input from your advisory board members, keep the session focused and on track.

If you don't get through all of the items on your agenda organise with your advisory board chair to hold more frequent sessions to get through everything in the timeframe you need to get through it in. Shorter sessions are more effective than longer ones as each issue/item/problem can be given due consideration by the relevant advisory board members – they may not all need to be involved in every session.

Example

Shorter sessions are more effective in keeping people focused

Modify this list of items to suit your advisory board's work plan if it has one, or the priority topics or problems you wish them to work on. An effective chair will contribute to the development of your agenda (documented or not)

Date	DD.MM.YY
Time	9.00-11.30am
Location	Meeting room 1
Attendees	Bob, Keith, Suzanne, Raoul
Agenda items	
1	• Welcome and introductions, agenda confirmation
2	• Problem 1
<i>Morning tea</i>	
3	• Problem 2
4	• Actions review and performance update
5	• Confirmation of next meeting

If your meeting or session will run for a couple of hours or more, build in a short break to allow your advisory board members to refresh

Action summary

An action summary will allow you to prioritise your advisory boards suggested next steps. Make the actions time-bound, for example to be completed before the next meeting, and delegate each action to the relevant advisory board member. Bear in mind that your advisory board members are there to advise you only. They are not there to instruct you or make decisions on your behalf or your organisation's behalf. You may find that an action summary is more useful than a work plan or

vice versa. You may also decide that you don't need either – it will depend on the context your advisory board exists in and what you need them to help you with.

The example action summary might be useful for an advisory board with a customer growth focus. It can be easily modified to suit other advisory board situations such as one that has been established for a major project by a formal company board.

Example

Make these actions as transparent as possible so responsible advisory board members know exactly what they are tasked with and the remaining members know what to expect

Date of summary DD.MM.YY				
Date Assigned	Responsible	Actions	Due Date	Comments
DD.MM.YY	Bob (marketing)	Provide recommendations on which media to use to reach the target market in Australia, and suggest state by state priorities for the roll-out.	DD.MM.YY	
DD.MM.YY	Keith (logistics)	Provide options for building up inventory for the Australian launch, including just-in-time deliveries and airfreighting, and considering the impact on cash flow.	DD.MM.YY	
DD.MM.YY	Raoul (production)	Make recommendations about the merits of subcontracting the manufacture of sub-components, taking into consideration cost and quality implications.	DD.MM.YY	

Source: Adapted from a CCH template

Make each action realistically time-bound to help keep advisory board meetings/sessions on track

Example

Insert date dashboard is updated

Select the most appropriate option from the drop down list in each cell to update progress.

Reporting dashboard

Date DD.MM.YY	Actual	Q1 Forecast	Actual	Q2 Forecast	Actual	Q3 Forecast	Actual	Q4 Forecast	Commentary	Actual
Indicators										On track Ahead Behind Completed
Customer number increase	On track									
Business plan signed off	Completed									
Target new partners secured	Behind									

Insert relevant indicators in this column

Type the forecasted position for the quarter in each cell

Provide supporting commentary in this column

Reporting dashboard

A reporting dashboard provides a snapshot of progress against actions and can be useful in focusing your advisory board's attention on priority areas. The level of detail that is reported on is up to you but for most advisory boards a visual traffic light system such as that provided in the example provided works well.

Encourage your advisory board to use a dashboard like this to report to you about its progress towards achieving agreed goals.



At some point in the life cycle of your advisory board you may encounter the need to exit from or alter the arrangements.

Adapting to changing needs

Your reasons for exiting or altering arrangements will vary and will possibly include:

- there no longer being a need for your advisory board
- a need to transition to a formal board set up arises
- you need to replace a member(s) due to under par performance
- a change in the type of advice or skills required for your advisory board.

The more thinking and planning that goes into the exit of an advisory board or member the more effective and less stressful it will be all round. Consider developing a strategy for this.

Most advisory boards in New Zealand don't usually transition to a formal board and your advisory board needs will be fluid. Be reassured that you are 'not stuck with it.'

Exiting individual members

Should you need to replace an advisory board member due to under par performance, be sure to adopt and communicate a well-structured exit process with this individual. Reputations (yours and theirs) are on the line. Provide an opportunity for feedback, possibly through an exit interview and acknowledge the positive contributions each individual has made to your advisory board.

Final words



Rod Drury, CEO of Xero says ultimately it's about good governance at every stage.

"Unlike a board of directors, advisers can be replaced without a lot of legal headaches."

STENGEL, G. (2003)

"Success brought complacency and the advisory board's role diminished. After attending the IoD's Company Directors' Course, I knew I needed more independent help. I enlisted the IoD's appointment service (DirectorSearch) and two independent directors were appointed to the board, with one independent director as chair. Some may say I've given up control of my own company, but I have gained tremendous support from our independent directors and the board. They bring a wealth of business knowledge to the table, and they ask the hard questions and challenge my thinking. I have not given up control, I have finally gained control."

AARON RINK, DIRECTOR AND CHIEF EXECUTIVE, CF REESE PLUMBING

Tools and templates

- Thank you letter

Thank you letter

Responding to your changing advisory board needs may mean the end of tenure for certain advisory board members at various times. Reputations (yours and theirs) need to remain intact and a thank you letter is a positive way of acknowledging an individual's service on your advisory board. Alternatively, a thank you oriented conversation over coffee or a casual drink may be all the acknowledgement your advisory board members need.

Your letter of thanks doesn't need to be lengthy. Copy the example provided and modify it to your needs.

Example

[Date]

[Address of recipient]

Dear [Recipient name]:

Thank you for participating in our advisory board throughout the year. Your expertise and enthusiasm have been instrumental in guiding our business through this phase of its life-cycle and in advising proven pathways to secure its future.

As you have noted, the focus of this advisory board should now change and we need to reflect these changes in a revised advisory board composition. I would like to reiterate our thanks to you for your time and effort and hope that we can continue to engage with each other on a business level.

Yours sincerely

[Your name]

[Your title]

[download template](#)



Further reading

Excerpt from *The Four Pillars of Governance Best Practice*, pp 29-31 on Advisory Boards (Institute of Directors, 2014)

[The role and value of an effective advisory board](#)
(Ivey Business Journal, 2003)

[Ten Tips to creating an effective advisory board](#)
(Stengel, 2003)

[Don't go it alone: Create an Advisory Board](#)
(Comaford, 2007)

[Business Advisory Board Compensation](#)
(the-ceo-coach.com)

[Creating an Advisory Board](#)
(About.com)

Case studies

[The New York analyst, the farm station and the advisory board](#)
(National Business Review, September 2013)

[Representing NZ with Chocolate](#)
(DominionPost 4 June, 2012)

Websites

www.iod.org.nz
www.aborc.firstbook.org
www.advisoryboards.co.nz

Acknowledgements

The Institute of Directors acknowledges the following thought contributors in the development of this toolkit:

Tracy Brown, Tregaskis Brown
Peter Crow, Independent Director
Rod Drury, Xero
Estefania Gallinanes-Garcia, Productspec.net
Alan Hucks, Creative HQ
John Lumsden, Growlypaw Limited
Steve O'Connor, Creative HQ
Andre Post, Splice Group
Tom Reidy, Catalyst90
Aaron Rink, CF Reese Plumbing
Richard Westlake, Westlake Consulting.