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Deciding If an Advisory Board Is Right for Your Company

By Susan C. Hammond

An advisory board can be the best thing in the world for a small business. Such a group can provide business experience, skills, and functional expertise that are lacking within the organization. Advisors can also help management strategically position the business and offer additional contacts and resources beyond those already known to management. For start-ups, a board can provide increased credibility in the marketplace. Perhaps most importantly, advisors offer outside perspectives about what is working and not working well within the company and can help the CEO and senior management team become more accountable for making progress toward stated goals.

These are all great things and you may be saying to yourself, “Yeah, that’s just what I need. I’ll set up a board tomorrow!”

Not so fast. Advisory boards are not for everyone. An advisory board that is hastily put together without planning and forethought can do more damage than good. It can waste your time. It can even give your company a black eye if the advisors begin to feel the whole thing is a waste of their time and energy.

Here are questions, adapted from my firm’s Advisory Board Kit that you should consider thoroughly before you begin recruiting such a board:

1. Why do I want an advisory board? What are my goals and objectives for forming a board? These are very important questions. Just because more and more small businesses are adding advisory boards doesn’t mean one is right for you at this particular time. For example, consider whether you really do want help in deciding where to take your company. Be honest with yourself about whether you’d actually be willing to follow advice from outsiders. Advisors will quickly get frustrated if they see that all their ideas are being ignored. Answering these questions also will help clarify what types of advisors you should seek in terms of their skills and experience.

2. Am I clear about my vision for my business two years out? If not, spend time working on your vision since it will inform the kinds of advisors you recruit. People join advisory boards because they believe in the company's vision and want to help the leader work toward that vision. If you don't have a clear picture in your head, you won't be able to define who would be the best people to help you make that picture a reality and you may even have a hard time recruiting anyone at all.

3. What do I need to do to make my advisory board effective? Having an advisory board can provide tremendous benefits, but it is also will take considerable work on your part to make the board effective. The work begins immediately because even before you start recruiting advisors, you have to identify the skills you need to support your company's vision, write a job description for your advisors, identify benefits to advisors and reasons that they might want to join the board, and identify potential advisors, using your own database and those of your colleagues and friends. Once the board is established, you'll have to maintain frequent communication with members between meetings to keep them abreast of the company's progress. You'll also have to carefully prepare for meetings and provide advisors with information in advance so they can be ready to make the meetings as productive as possible.

4. What am I prepared to pay advisors? The answer to this depends on your company's size and financial circumstances. Advisory members will expect, at a bare minimum, to have their expenses covered. Some people serve on advisory boards without compensation if they believe strongly in the organization. However, most people expect to receive a stipend of some sort, usually starting at \$150 per meeting and going up to as much as \$1,000 per meeting as the company grows and the issues get more complex. (Some advisors ask that this money donated to their favorite charity.) If your company has a product that is appropriate to give to advisors, this can also be a nice benefit to offer board members.

The exercise of preparing for an advisory board has benefits in and of itself; it offers you an opportunity to take a step back and look at where you want to take your company. With that picture in hand, your effort to recruit advisors who share your vision and who have the skills needed to support it should flow smoothly.

scHammond Advisors works with small business owners to build dynamic and sustainable companies. We assist them as a consultant, advisor, business coach/mentor and facilitator. Our services include financial analysis, strategic planning, business coaching and advisory board formation and facilitation. For more information contact susan@schammond.com and visit the website at www.schammond.com.