

Advisory Boards Offer Advice

By **VIKKI PACHERA**

For many business leaders, the old adage, "it's lonely at the top," certainly rings true. They are the ones responsible for mapping out the strategy for their company's future growth, while their staff is largely focused on execution and the more day-to-day issues. As such, it can be challenging to determine what the optimal plan should be given a complex maze of global competition, rapidly changing technologies and consumer behaviors. No business is too small to benefit from an advisory board --- a strong group of external advisors organized for the purpose of providing counsel to top management on various aspects of the business. Well-connected leaders and visionaries from innovative companies, leading investors in venture firms, and successful entrepreneurs are in great demand for advisory board seats because of the breadth and depth of insight they bring to the table. In fact, when developed properly, advisory boards are essentially an executives' personal think-tank that brings together people from a cross-section of disciplines to act as mentors, provide insights, and generate new ideas and strategies.



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Creating an effective advisory board need not be an arduous task --- provided that business owners and managers explore a few key questions:

1. What is the mission of the board and the role it will play within the organization?

Because determining what the advisory board is all about is the key to its success, everyone involved must be in agreement as to its mission or orientation. Advisory boards can be broad in scope and provide a small company, especially those without formal boards, with general guidance. More likely, however, advisory boards are focused in a particular function such as technology, marketing and advertising, sales and channel strategies, or corporate strategy. In some cases, the role of the advisory board will be to bring named talent to the table for PR and marketing or to provide credibility to an organization.

Remember, however, the intent of these boards is not to focus on governance, regulations or process. And they certainly are not in place to play a management role. Their purpose is to stimulate ideas, offer fresh perspectives, vet decisions, serve as sounding boards --- in other words, to be an overall extension of the thought leadership of the company.

2. What is the best structure to implement this mission? Size of board? Frequency of meetings?

There's no right answer as to how an advisory board should be structured other than to say it should not be nearly as structured as a board of directors. Roberts Rules of Order can be left at the door. Because the role of the board is

to harness the experiences and talent of its members, the sessions should encourage a high level of interaction and conversation. Once the company brings the advisors up to speed on the business --- time that is very well spent ---- the board will benefit considerably from a configuration that promotes collaboration.

While the size of the board may vary, five to eight members is the sweet spot for an advisory board ---- provided that each is contributing and committed. You may want to add a couple of more advisors if you feel that folks are likely to miss meetings.

Which brings up the question of meeting frequency. When determining how often to hold meetings, it is important to strive for a balance that brings the right momentum as well as commitment. An interesting approach is to have a 2- to 3-day kick off session, depending on the complexity of the business and the depth to which you are seeking advice. These sessions allows for everyone to come up to speed on the history, the current state of the market and business. Kick-off could be followed by either monthly or quarterly meetings. Some companies in slow-paced industries (are there any anymore?) could even hold semi-annual sessions. When planning the meetings, be sure you build in enough time to socialize --- a key element of building trust. After all, participating in an advisory board should be fun and rewarding for all parties.

Board members should receive compensation for their time and effort --- generally a blend of cash, equity and possibly product. It is highly unlikely that individuals serve as advisors for the money, but rather for the prestige and fun in participating. Having said that, it is important to note that there is prestige in getting paid for your opinions as well as developing a sense of commitment. Continuity amongst the board is important for effectiveness in both time and interpersonally.

3. What qualities/skills should board members possess?

The real value of an advisory board lies in bringing in people who have talents and expertise that the company's management team lacks. As such, you want individuals who are not only highly skilled in the area that you are seeking advice, but also people who are thought leaders --- who have opinions and aren't afraid to share them. You don't want the individuals who operate looking in the rear view mirror, only able to articulate what was done in the past.

Members should be outgoing and confident so they can readily make contributions during meetings. They should be smart, excited, enthusiastic, verbal, committed, thought- provoking, and risk-adverse in the personal sense. They should be polished in how they present feedback, not highly critical but not afraid to be critical. Lastly, they should be very cognizant of good meeting manners which includes allowing people to speak without interruption, and carefully managing their own 'floor time.'

4. What is the optimal approach for filling board seats?

The team should first think about the design of the board, and develop a list of target companies and players. As each seat is filled, the profile of the board should be reassessed and you should search for additional members who augment and compliment what you already have. That could be for diversity of opinion, such as less of one segment, more of another or more of another geography. Or, it could also be done with a goal of balancing the issues of age, gender or interpersonal skills. The well connected CEO may be able and have the time to design and recruit a board, otherwise it's wise to invest in the resources of a retained search firm.

There is no doubt that creating an advisory board offers a huge competitive advantage and is well worth the relatively modest investment. Filling the board with the right people will challenge leaders to think strategically about growth, provide a framework for making good decisions, and hold leaders accountable for achieving goals.

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