

Advisory Board Partnership



How an Advisory Board can benefit your organisation

Advisory Board overview

What is an Advisory Board?

An Advisory Board is a high-return, high-profile forum that can heavily influence your company's competitive standing. The concept provides a powerful format that provides executives with the information needed to align outcomes with strategy.

At its heart, an Advisory Board has a select group of independent people who provide advice to the executives (owner/s or senior management or directors) of a business. The advice is typically strategic but can relate to specific areas. Most importantly the advice is non-binding which results in a relatively informal format. This gives flexibility in how the board is structured and managed and each organisation designs their own model.

An Advisory Board is not regulated under the *Corporations Act 2001* or corporate governance codes. An Advisory board gives advice only.

Why establish an Advisory Board?

Every organisation is looking for an edge in the market. Creating an Advisory Board is a significant way to improve the ongoing operation of your organisation whilst also receiving direct feedback.

There are many external people who want your organisation to be successful. Suppliers want your organisation to be the best it can be – they not only want to partner with successful organisations but they want to sell more of their product. Clients want to deal with a professional market leader. Professional advisers (such as accountants and advertising executives) want your business to be successful. An Advisory Board sends a strong message that you are progressive and want to listen to feedback and continually improve.

Involving key vendors and clients in assessing and improving your business is logical and will deliver tangible results. An Advisory Board delivers an independent confidential forum to discuss issues of major significance to your organisation.

When do you need an Advisory Board?

Today! An Advisory Board may provide an invaluable resource in a multitude of scenarios:

- If your organisation is a well-established business, it can be hard to innovate and generate

new ideas. An Advisory Board can enrich a company with fresh thinking and expert insight;

- If your organisation is in a high-growth phase, it is important to remember the basics. An Advisory Board will help you focus on key fundamentals.
- If your organisation is a start-up, an Advisory Board can help you concentrate on what your business needs to do to enable growth.
- If your organisation is a family business, an Advisory Board can bring external perspective whilst still maintaining family control.
- If your organisation is facing major decisions or changes in direction or if you want to raise the level of strategic conversation, an Advisory Board can provide invaluable advice.

Any organisation can benefit from an Advisory Board at any stage of the business cycle as it can provide a powerful and dynamic resource.

Benefits of an advisory board

There are a number of potential benefits for your business if you create an Advisory Board. Ultimately you want to improve your organisation and this will be achieved at a number of levels:

- Enhance your organisation's reputation and credibility in the marketplace;
- Increase client and investor confidence;
- Draw on the skills and knowledge of external advisers who have practical experience;
- Gauge relevance of new ideas to the wider marketplace;
- Generate positive PR;
- Have a direct conduit between organisations at the coal face and your executives;
- Improve efficiency and productivity;
- Test new technologies, business processes, concepts and products on a small sample space;
- Attract superior employees by demonstrating a commitment to company growth; and
- If your clients help shape your organisation then you will be delivering exactly what they require.

Roles and responsibilities of an Advisory Board

You determine the roles and responsibilities of your Advisory Board to best suit your particular circumstances and needs. These roles, responsibilities and expectations should be formalised in a charter which is ratified by your main

board (or owner/s). Because there is no legal or formal definition for an Advisory Board, you can structure this board in the most appropriate fashion.

You must be clear on the purpose of your Advisory Board and what you want to achieve. This will help determine the skills, knowledge and experience needed in your members. Effective communication of a clearly defined purpose will contribute to the success of the Advisory Board.

Meetings and Time Requirements

Typically Advisory Board meetings are held on a quarterly basis although some organisations prefer to hold meetings more regularly.

It is good practice to plan a twelve month tentative meeting date schedule and confirm future meetings at the conclusion of each meeting. The tentative schedule is typically planned around a recurring date (for example the third Tuesday of each quarter).

Each meeting should be capped at three hours but should typically be completed in two hours. If the meeting approaches three hours then items should be held over until the next board meeting. Time is an important commodity for your Advisory Board members so you need to be very clear on the amount of time required to be a part of your Advisory Board.

Responsibilities for Advisory Board members

It is important that the members of an Advisory Board realise their commitment to join the Advisory Board carries with it certain responsibilities. There are key items that Advisory Board members should commit to undertake.

- Develop an understanding of the business along with market and industry trends;
- Provide 'wise counsel' on issues raised by the management of the organisation;
- Provide insights and ideas which are only obvious when viewing the organisation externally;
- Encourage and support the exploration of new business ideas; and
- Monitor business performance and challenge the directors and management to consider options.

Selecting an advisory board

Selecting advisory board members is a very important task. The success of your Advisory Board will be driven by the structure of the board and the people that fill the positions.

You need to look critically at the people who will be on your Advisory Board and ensure their skills complement each other. You may focus on specific areas such as strategy; human resources; marketing; legal; technology; operations; finance or others.

You need to have members who you trust and respect beyond ordinary business relationships. The culture of the individual must match the culture of the organisation and there must be a shared commitment to the development of the business.

Advisory Board members need to feel free to speak their mind without recrimination and know their opinion is respected.

Compensation for Advisory Board members

Most Advisory Boards don't pay a fee to members but cover all of their expenses. You want individuals on your board who are focused on the success of your business rather than deriving income from it. Some organisations pay members a meeting fee or an annual retainer. The final decision is up to each individual organisation.

WIIFM? Why do people want to be involved?

When there is a chance to be a part of a progressive and exciting Advisory Board, your clients, vendors and external advisers will be incredibly keen to be a part of the board. There are significant tangible benefits available to members:

- Members will become exposed to new ideas that they can implement in their own businesses;
- Members will enhance their credibility when associated with business leaders on your board;
- Members will gain the chance to see new technologies, business processes, concepts and products before they are widespread;
- Members have the chance to shape the future direction of your organisation which may ultimately benefit them;
- Members will utilise their skills and knowledge in new ways without the burden of fiduciary duties;
- Vendor partners in particular gain more insight into the world of end-users;
- Members get a free coffee and lunch!

You can create an Advisory Board that is something that all of your clients, vendors and professional advisers will desire to be associated with.

How to create and run your Advisory Board

Structure your Advisory Board

An Advisory Board needs to be created from the ground up specifically for your organisation. It has to be structured appropriately with the correct focus and the right personnel.

You first need to decide exactly what you want your Advisory Board to achieve and what level of involvement you want from your staff.

You then need to decide the various positions on the Advisory Board. It is important that positions are decided before selections begin. To have truly independent people, you need positions filled rather than giving positions to people you favour.

Once you have made decisions on the purpose and makeup of the board, you are well on your way to creating the all-important charter.

Filling your Advisory Board

Once the charter has been created, you have an Advisory Board – with no members.

You need to create criteria to allow an independent process to be used to select members of your Advisory Board. Then you need to advertise for positions on your Advisory Board.

Advertising for positions on your Advisory Boards achieves two outcomes. Firstly, you have people apply. You open the invitation to all and sundry to allow the best and brightest to come forward. The beginning of the process is not the time to be restrictive on who you allow to be on your Advisory Board.

The second reason you want to advertise for positions on your Advisory Board is that it tells the marketplace you actually have an Advisory Board. One of the outcomes of a successful Advisory Board is that it demonstrates to the broader market that you have a commitment to continuous business improvement.

Once you advertise your Advisory Board – in a variety of mediums – then you need to have an Expression of Interest (EOI) document that you send to interested people. This document will give greater detail on your Advisory Board and allow people to complete the required information to allow the right people to be selected.

Selecting your Advisory Board members

The first member you need to appoint is the Chairman of your Advisory Board. This person will be largely responsible for the success (or otherwise) of your Advisory Board. The Chairman needs to have intimate knowledge of your charter and be aligned with what you need to achieve. The Chairman can be external or a member of staff.

The Chairman can then review your applications – and possibly encourage applications from additional individuals if required. By having your criteria already set, the job of the Chairman is to compare applications against the set criteria and make recommendations on the most suitable applicants. The Chairman should not have final sign-off on membership but should make a recommendation to the executives of your company.

Running your first meeting

In the initial EOI document, you should have suggested meeting frequency and times for your Advisory Board. Potential members of your board need to be aware of the typical time requirements if they gain a position on the board.

Once you decide on your members, each member should be sent a document that outlines their rights and responsibilities and a confidentiality document for them to sign. It is crucial that members are aware of these items before they even attend their first meeting. From the perspective of protection of your Advisory Board members, it is also important that the paperwork signed by the members clearly outlines that the members owe no fiduciary duties to the company and they are not acting as a shadow director. A shadow director is deemed by the *Corporations Act 2001* to be a 'director' and will be liable for breaches of the duties of a director.

Each successful member (and any people that missed out on gaining membership) should be personally contacted by the Chairman to thank them for their willingness to contribute.

The first meeting is crucial in setting the tone of the board going forward.

The Chairman should send several potential dates out to all members and choose the date that the most members can attend.

At the first meeting, the charter should be reviewed and agreed upon by the board, the tentative 12 month schedule for meetings should be set and even the frequency of meetings can be discussed – although that may be a non-negotiable that has already been set by the owners or directors of the business.

After the structure and introductory components as well as the obligatory introductions by each member of the board, a light agenda should follow as it is not expected that a lot will be achieved at the first meeting – apart from setting the scene for the ongoing operation of the board.

The owners or directors of your organisation along with key senior management should meet with the Advisory Board in an informal manner at the conclusion of the first meeting to thank them for their involvement and to show their commitment to the board.

What is absolutely critical is to have ongoing deliverables for each subsequent board meeting so that both your organisation and the Advisory Board see that progress is being made. You can't decide if your Advisory Board is successful if you aren't aware of what you are trying to achieve.

Ongoing operations

The Chairman is typically the one responsible for the ongoing success of the Advisory Board.

The Chairman is normally charged with a number of ongoing responsibilities, including:

- Reminding members of upcoming dates for board meetings;
- Setting and distributing an agenda for each board meeting – typically the agenda should go out two weeks before each board meeting;
- Distributing the minutes from each board meeting. This should go out within seven days of each board meeting;
- Booking meeting venues (or videoconference facilities) and organising lunches for Advisory Board members;
- Liaising with the executives to ensure the board is meeting the objectives and it is delivering value to all parties involved;

- Reviewing membership on an ongoing basis and inviting new members to the board when necessary and, in extreme circumstances, removing members from the board;
- Arranging expense payments to members of the Advisory Board within seven days of each meeting;
- Reviewing several documents on an annual basis including the charter, the invitation document and the initial document for members to sign.

The Chairman needs to chair meetings of the Advisory Board with a firm hand to ensure meetings flow but also with enough leeway to ensure that good ideas flow. Members can easily feel that their time is being wasted if the Advisory Board is not well organised and run efficiently.

The owners or directors of the business ultimately have the final say in all aspects of the Advisory Board but it is important that a Chairman is chosen who can be entrusted with the basic responsibilities of running the Advisory Board.

Sunset clause

You shouldn't start an Advisory Board with a view to putting an end date on its existence. Coca-Cola spent over \$4B on advertising across the world last year. McDonalds spent \$1B on advertising in the US alone. Market leaders do not have plans to stop advertising once they reach the number one position and neither should an organisation have a plan to exit an Advisory Board once it has achieved its initial objectives.

The reality is that the number one objective for any Advisory Board should be continuous improvement and, by its definition, continuous improvement doesn't have a sunset clause.

If you create an Advisory Board you should constantly monitor its performance to ensure it is meeting its objectives and it may require modifications over time but don't plan to stop the board before it has even started.

What services can I provide for you?

Outsourcing your Advisory Board

Many organisations decide that they want to create an Advisory Board but limited resources, lack of knowledge of the process and finding the right staff member all influence the creation process. Sometimes an organisation may ensure the true independence of their Advisory Board by having an external person run their Advisory Board.

In many circumstances, it is advisable to bring in an external independent expert to create and run your Advisory Board.

Creation of an Advisory Board

The first step to a successful Advisory Board is to actually create the Advisory Board. That involves a number of steps:

- An outline of the objectives of the Advisory Board is created in consultation with the owners or directors of your business;
- This outline is then turned into a charter for the Advisory Board;
- Documentation then needs to be created that can be sent to potential members to allow them to understand what is involved with membership of the Advisory Board and for them to complete their details and 'apply' for membership of the Advisory Board;
- Applications need to be assessed and decisions need to be made on the members of the Advisory Board;
- Once the members have been chosen, they need to sign a confidentiality agreement and understand their obligations along with knowing the charter of the board;
- The first meeting is then set which will possibly involve some fine-tuning of the actual structure of the board.

If my services are engaged, a date is set for the first Advisory Board meeting and then all the necessary steps are undertaken on your behalf. There are certain trigger points whereby you need to approve certain components but your involvement is only required at crucial strategic decisions in relation to the Advisory Board rather than at the detailed level. This way your organisation can be confident in having made a decision to create an Advisory Board that one will be created which will be customised for your

organisation but you don't become bogged down in the details. You have set the strategic direction and then it is my responsibility to deliver on the minutiae.

Roles of the Chairman

As outlined in the previous section, the Chairman plays many roles – from organising the meetings to settings agendas to reviewing membership and ultimately running efficient meetings.

A common mistake made by an organisation when they create an Advisory Board is a lack of commitment and focus to the ongoing operation of the Advisory Board. The task of running the Advisory Board is often given to either a very busy staff member or a junior staff member. In both situations, it can be hard to find the consistency and time to ensure that agendas are sent out on time, minutes are completed and tangible actions are followed through. To satisfy the objectives of the Advisory Board and ensure the experience is fulfilling for all parties, there are certain essential components.

When I am engaged as the Chairman of an Advisory Board, these components are my key deliverables and I ensure they occur. That is my role. If they don't happen, I am not paid. It is as simple as that.

Your Advisory Board

This is *your* Advisory Board. The most important meeting is the initial planning meeting where we discuss the objectives of your Advisory Board and your customised charter is created based around your objectives. No two Advisory Boards are identical.

If I am engaged, my role is to create an Advisory Board that looks exactly like what you want.

I have certain opinions on key aspects of an Advisory Board and I offer advice and reasons behind those opinions but the final decision on all of those components is up to you.

For example, there are certain aspects that I believe work better than others.

- **Membership:** The best Advisory Boards have a combination of clients, vendors and external professionals - but some organisations prefer to have a Customer Advisory Board.

- **Meeting frequency:** Quarterly meetings deliver the best combination of meeting often enough to help deliver outcomes - but not so often that the members become jaded but some organisations prefer six or even eight meetings a year.
- **Meeting timing:** 9am is the best time to start an Advisory Board meeting to ensure members are not caught up with other activities and they are fresh in the morning - but some organisations prefer an afternoon meeting to allow members time to travel to a meeting or very early morning meetings so they don't take up business hours.
- **Physical meetings:** Better outcomes are driven by physical meetings with a fall-back of videoconferencing - but some organisations (in particular when there are geographic reasons and meeting frequency is higher) use videoconferencing on a more regular basis.
- **Payment:** Advisory Board members should be volunteers rather than paid - but some organisations prefer a meeting payment or a retainer payment to be made to members.
- **Membership numbers:** 12-14 members is a good number for an Advisory Board to allow for a good cross-section of clients and vendors and advisers plus allowing for busy people who can't attend every meeting - but some organisations prefer much smaller boards.
- **Your organisation membership:** Only one member of senior management (or an owner or director) should be on the board - but some organisations prefer several members of staff and management to be on the board.

There are many variables and ultimately the board will look the way you want it to look. My role is to guide and implement – not dictate.

Cost of my services

Each Advisory Board engagement is customised for an individual organisation after deciding on a few basic parameters. Once the variables are known, I feed them into my Advisory Board calculator and then this is the fixed price for the following 12 month agreement. This price will not vary (unless changes are requested in the variables). The only additional expense is for the expenses claimed by Advisory Board members. My ancillary expenses are all wrapped up in the all-inclusive price. The 12 month fee is invoiced monthly spread evenly over the 12 months.

A few issues to note are below:

- If you engage my services, it is for a minimum 12 months at a time. This is to ensure consistency for your Advisory Board members and the creation of an environment where they can rely on the Advisory Board meeting certain targets.
- From the time that you engage my services, there are certain key deliverables within certain timeframes. For example, once the engagement begins, you will know when the first planning meeting will take place, when the charter will be created, when the EOI document will be ready and, within certain parameters based on member availability, when the first Advisory Board meeting will take place. You can typically assume this meeting will take place within three months of the engagement sign-off.
- The engagement includes all documentation required including the charter, the EOI document and the confidentiality agreement.
- I have a simplified menu system that is used to calculate the cost of the 12 month agreement. The main variables in that menu system are:
 - Number of meetings per year;
 - Expected location of meetings;
 - Expected number of videoconference meetings;
 - Availability of suitable meeting room;
 - Availability of a staff member to take minutes during a meeting;
 - Number of members of the Advisory Board and
 - Arrangements for lunch provisions.

As a simple example, if you required an Advisory Board with 12 members who met four times a year in Sydney with all meetings face to face and you provided a staff member for minutes, you would expect three months from the time of the engagement until the first board meeting and the agreement would cover four quarterly meetings. The fixed cost for this sample engagement would be \$23,152 including GST.

I look forward to being of assistance to help you create a superior organisation through the use of an Advisory Board.

Mathew Dickerson