



Advantages of an Advisory Board...a Strategy for Success

By Cindy Burrell and Randall Rollinson, President, LBL Strategies, Ltd.

Private companies, depending on their legal status, are often required to have a Board of Directors. However, it is common practice for CEOs or ownership teams to create a “rubber stamp” Board (who rarely meet) in order to fulfill the legal requirements. However, a Board of Directors of this type does not greatly enhance the success of the business.

Why create an Advisory Board?

An Advisory Board is the answer for a CEO or ownership team that wants independence, yet will seriously consider advice and guidance from others to improve the business. Because an Advisory Board gives advice, and does not have authority or fiduciary responsibility for the company, there is very limited liability for this type of board. Less liability is good for the business - no need for the cost of D & O insurance, and it is easier to recruit high quality prospective Advisory Board members.

For even more impact—create a Strategic Advisory Board:

First step is to evaluate the strategic direction and goals of the company. Think about what kinds of expertise will accelerate and advance different types of strategy. Then customize the Advisory board with areas of expertise that will promote the company’s defined strategy.

For example:

- To dramatically grow the business, consider inviting another CEO (non-competitive business) who has a company double or triple the size of this company and that markets to a similar client base.
- To create a new product line or service, invite a marketing professional, or graphics designer, or direct mail specialist.
- To take advantage of the opportunities presented by globalization, think of recruiting someone with proven global purchasing experience.

For more reward and less money—create a Synergistic Advisory Board:

Recruit Advisory Board members who can benefit from each other, then they will be happy with a quarterly dinner at Board meetings, or a small annual Board fee.

- Focus on Advisory Board members who market to a similar client base; can build alliances and do business with each other; have high visibility in the community; and can learn from each other.
- Look for independent Advisors—these are not the company’s paid advisors (banker, lawyer, accountant, or insurance consultant—who are already paid to advise the CEO).
- Also, ideally, the CEO is not inviting customers or vendors to be on the Advisory Board, because the CEO will benefit from independent and objective advice.
- Recruit smart thinkers with solid communication skills.
- Team players with congenial personalities.

Advisory Board Agreement and Terms:

Be sure there is a written agreement signed by the CEO and all Advisory Board members that contains:

- Clear definitions of the roles and responsibilities for both the Advisory Board Members and the Advisory Board itself; and a statement on compensation for Advisory Board Members.
- A promise of confidentiality on company information that is gained by acting as a Board Advisor.
- A clear statement that this is an Advisory Board with no fiduciary responsibility for the company.
- Defined and stated term limits of two (or three) years.

What advantage is there to having an Advisory Board?

With a Strategic and Synergistic Advisory board in place, a CEO or ownership team remains in charge, yet has access to expertise and wisdom that can dramatically improve the company and increase success!

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