



# How to Create An Effective Advisory Board

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# What is an Advisory Board?



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## SOLE PURPOSE:

Provide strategic advice  
non-binding and informal in nature.  
3-5 members

- May consist of people drawn from various walks of life, with diverse capabilities and expertise in various areas of a business.
- Businesses may wish to have advisory boards so they can utilize the expertise of the advisors and enhance their business capability.

## **QUESTION:** How is this different than a board of directors?

Complements BOD by filling in any knowledge gaps.

May be constituted before the board of directors itself.

A springboard for the induction of a board of directors

Executives to test out their ideas without fear, as the board is there to advise and not to govern.

- Advisory boards provide valuable inputs to business structuring and management, and may also provide the latest industry news.
- They offer guidance and advice on operations, legal matters, finance, manufacturing, organization and the competition to benefit the business.
- a sounding board
- experts who can discuss opportunities, challenges and next steps

# Why have one?



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Having a stalwart of the industry as an advisor = leverage for a startup.  
=builds up the credibility of the company as the reputation of the expert helps the business he/she is advising.

**BENEFITS:**  
(Especially a startup- business owners do not have much experience.

For a fledgling business:

- Identify business opportunities and strategic partnerships with other businesses
- helps in developing a business strategy for the business by providing direction.

**BIGGEST ADVANTAGE**

fresh perspective

Look at the business from an unbiased point of view and identifying strengths and shortcomings of business policies that the owners/management of a company cannot often spot.

Create introductions

Open doors

Generate new leads

Help you to avoid mistakes, or make negative business decisions.

\*\*\*Fill gaps in a business's knowledge bank\*\*\*

**Deliverables:**

Expertise

Guidance

Connections

Business-development insight

**ADVANTAGES:**

enables a CEO to have mentors

sounding board

Space to share the successes and the problems of business operation with objective individuals

Makes the top a less lonely responsibility

Never doubt that a small group of thoughtful,  
committed citizens can change the world;  
indeed, it's the only thing that ever has.

*Margaret Mead*

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## Who should be on it?



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### DIVERSITY:

Leaders in your industry

Possession the necessary skills to meet the current challenges.

### DISADVANTAGES:

Has no fiduciary responsibility or legal liability

Advice may not be totally safe for the business

Board members are not employees of the company and who work for little or no compensation, which can often lead to a lack of commitment.

If a member is on many advisory boards for different companies, this can create a conflict of interest

The value of an advisory board is determined by  
its members -- not its size

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Interested advisors become advocates for the business, which translates to access to capital.

# Strategic Needs



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Focus on the most strategic needs of your business  
Possession the necessary skills to meet the current challenges.

There could be several types:

Startup/Product Launch

Fundraising

Programmatic

Expansion

**QUESTION: How many people here already have an advisory board?**

**Creation!**

**\*\*\* EXERCISE\*\*\***

Individuals write down:

**Step 1: Current challenges/opportunities**

**Step 2: Gaps**

(continue to next slide)

## Find, Vet & Invite



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Exercise continue:

Identify: Your own professional network

### **Step 3: Individual representatives that would help**

- A strong personality and not afraid to give honest feedback.
- The skills that they have and how they will be utilized for the benefit of the enterprise.
- A commitment to the development of the enterprise.
- A degree of mutual trust and respect.
- Someone who knows their subject and commands respect not only for their knowledge but also their personality.

### **Step 4: Sharing & group discussion to fill card with names and contacts**

Get introduced & get to know them

Vet: for a good fit (SWOT)

Establish roster

Personal Invites

Time commitment, purpose

### **Establish expectations:**

Clearly communicating about roles and expectations – purpose & deliverables

Sign nondisclosure and conflict of interest agreements

## How they benefit?



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Compensation:

They should be compensated

**QUESTION: Do you pay them?**

*Ways to compensate:*

Food, appreciation

Travel expenses, stipend

Pay

Equity

Benefits for advisors:

Become third party validation and evangelism.

Involved as a result of their desire to help the entrepreneur

Advisors who feel appreciated will put forth their best effort.

## Changing Needs



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Over time the venture's critical business issues may change. Then the entrepreneur can seek new advisors with the needed skills.

## tips



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- Know your objective
- Do not include family or friends
- Treat advisory board meetings as a vital company asset
- Good communication: share information in advance of the meeting such as business plans, financial statements etc. All details should be planned out ahead of time, including the agenda, meeting location and time, the meal and any audiovisual needs.
- Be consistent
- Keep them informed

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