

WGOB E-GUIDE

CREATING AN ADVISORY BOARD



WGOB E-Guides provide tips for your board journey, empowering you with the confidence and courage to lead and serve on corporate boards.

Is your company considering creating an Advisory Board? Unlike a Board of Directors, an Advisory Board doesn't have any formal legal and fiduciary responsibilities. However, CEOs may choose to create an Advisory Board to seek advice and support as the company grows. To help you decide the best path for your company, review our five key strategic considerations for creating an Advisory Board.

1. WHAT IS THE PURPOSE?

TYPICALLY, AN EMERGING COMPANY CREATES AN ADVISORY BOARD TO AUGMENT THE TALENT ON THE LEADERSHIP TEAM WITH ACCOMPLISHED AND CONNECTED BUSINESS LEADERS. THE ADVISORY BOARD SHOULD INCLUDE THOUGHT LEADERS, CONNECTORS AND INFLUENCERS WHO WILL USE THEIR NETWORK TO MAKE CONNECTIONS AND PROVIDE STRATEGIC GUIDANCE AND EXPERTISE, HELPING TO ACCELERATE GROWTH, MANAGE RISK AND ENHANCE OPERATIONAL PERFORMANCE.

2. WHO DO YOU WANT TO INVITE AND WHAT IS THE VALUE THEY ADD?

CONSIDER PREPARING A SKILLS MATRIX TO IDENTIFY THE SKILLS AND EXPERTISE YOU NEED ON YOUR ADVISORY BOARD. YOU MAY WANT TO BRING IN BUSINESS LEADERS WHO HAVE SKILLS AND EXPERTISE IN KEY AREAS SUCH AS DIGITAL TRANSFORMATION, PRIVATE EQUITY, VENTURE CAPITAL, M&A, CAPITAL MARKETS, IT, SALES AND MARKETING, AS WELL AS KNOWLEDGE OF THE INDUSTRY.

3. HOW WOULD YOU COMPENSATE MEMBERS?

TO COMPENSATE MEMBERS OF YOUR ADVISORY BOARD, YOU MAY OFFER STOCK OPTIONS OR EQUITY. IN PARTICULAR, IF YOU ARE AN EMERGING COMPANY, CASH IS KING. SOMETIMES BUSINESS LEADERS WILL ALSO OFFER THEIR SUPPORT PRO BONO, AS A WAY OF PAYING IT FORWARD TO THE NEXT GENERATION OF ENTREPRENEURS.

4. SHOULD THERE BE TERM LIMITS AND IS THERE A SUCCESSION PLAN?

WHEN YOU ASK SOMEONE TO JOIN YOUR ADVISORY BOARD, IT'S IMPORTANT TO DEFINE EXPECTATIONS OF THEIR TIME COMMITMENT. MOST ADVISORY BOARDS TYPICALLY INVOLVE A TWO-YEAR TERM AND MEET THREE TO FOUR TIMES PER YEAR IN PERSON OR VIRTUALLY. THERE MAY BE CALLS OR MEETINGS WITH THE CEO ON AN AS-NEEDED BASIS.

5. WHAT IS THE ADVISORY BOARD'S MANDATE?

DON'T FORGET TO DEVELOP TERMS OF REFERENCE FOR THE ADVISORY BOARD. THE TERMS SHOULD INCLUDE THE ADVISORY BOARD'S EXPECTATIONS, TIME COMMITMENT, TERM LIMIT AND COMPENSATION TERMS. YOU SHOULD ALSO OUTLINE HOW YOU WILL SHOWCASE YOUR ADVISORY BOARD MEMBERS ON YOUR WEBSITE OR THROUGH OTHER MARKETING CHANNELS.