



Practical Information for Alberta's Agriculture Industry

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# Developing a Business Advisory Board: Best Practices

**G**ood governance is arguably the most important element in any successful business. Having good governance structures in place helps business owners and managers effectively take a step back and focus on the long-term viability and profitability of their organization.

It is often said that no one can build a great business alone, and whether you are a start-up or an established business, you will find that having access to high quality advice can enhance the business's odds of success. Businesses often get this type of advice from a formal board of directors. However, in some cases, the responsibility to implement a board of directors can seem overwhelming for a business owner.

Setting up a board of directors involves using one of the most precious and valued resources: time, not to mention the responsibilities that come along with formalizing a board.

## Making the process easier

Setting up a business advisory board for your organization, foundation or corporation is one solution to making the governance and decision-making process easier. This solution removes the legal and financial obligations of a formal board of directors, which is often the overwhelming aspect of setting up a formal board. All business sizes and structures can experience tremendous benefit from establishing a business advisory board, which provides support to the owners and managers.

## A business advisory board

A business advisory board is a body that provides non-binding strategic advice to the management. The informal nature of an advisory board gives greater flexibility in structure and management when compared to a Board of Directors.

The advisory board group of individuals is selected to provide advice to the business owner and management on a number of business issues, including marketing, sales, financing and expansion. A business advisory board is a highly effective method of bringing expertise and advice to your business in a focused, unbiased, low-risk and cost effective way.

## Where to begin?

The first critical question to ask yourself is the following: "Do you as the owner or manager really want independent advice?" If you answer "yes," then continue on to explore the key considerations and best practices for setting up a business advisory board.

## Benefits of setting up a business advisory board

When properly composed and structured, an effective advisory board serves as a tremendous ally in the quest for superior corporate governance. Some benefits:

- acquisition of high-powered talent and expertise
- objective evaluation of needs, talents and opportunities
- unbiased assistance when making tough decisions about the business
- strengthened business planning processes
- objective problem solving
- aid for selection and development of owners and business leaders
- counsel for succession and retirement planning
- assistance with industry challenges or specific business needs, like marketing or social media

After careful consideration of the benefits, the next critical question to ask is "What are the next steps?"

## Next steps

You will need to explore the reasons why you want to set up a business advisory board for your operation. "Why are you establishing an advisory board and what is wanted from it?" Are you seeking assistance for something specific such as succession planning or mentorship? Or is it for general strategic insight?

How you answer this fundamental question will directly affect how and who you recruit for your business advisory board. Thinking carefully about the purpose will ensure that the advisory board is structured for maximum contribution to your business success.

Once you define why you want to recruit for an advisory board, you will then need to put together a recruitment package. Bringing your advisory members on board (onboarding) is a critical step in the process and must be approached in a thoughtful and professional manner.

### Onboarding

A comprehensive recruitment and information package will provide potential advisors with the information they need to determine if they will serve on your board as well as the detail to help them carry out the role effectively.

An onboarding package will need to include several key components:

- roles, focus, compensation, expectations and commitment required by the advisors
- your company values, mission and vision
- executive summary of the core business and operation
- organizational chart or summary of the human resources
- current copy of annual reports, financial information, marketing materials and plans

*Tip:* Anything on the above list that you are unable to produce for the package should be one of the first items on your agenda when you begin to meet with the advisors.

### Selecting the business advisory board members

Now that you have the package together and you have a clear understanding of the role you want these individuals to play, it is time to select who and who not to recruit as well as to plan for how to recruit and compensate the advisory board participants.

**Who?** Look for individuals whose business acumen you admire and who have the skills to add strategic insight to

your business. You will want to work with individuals you can develop a relationship of trust with and who are themselves business owners or high level executives or managers. As well, you will want a variety of areas of expertise for the specific roles on the board, and you require those who will respect your company values, goals, vision and mission. In short, people who can assist with your success.

*Tip:* Your business advisory board should consist of three to five members.

**Who Not?** Do not select from your current business accounting or law team or anyone who is currently being compensated by your business, like the senior leader or management. Do not select friends or family for your business advisory board.

**Recruit?** Look at your current network and industry associations. Ask people you trust for referrals, and network through your own centers of influence. These areas could be from volunteer boards, chambers of commerce, etc.

**Compensation:** First, you have to identify your ability to compensate; set a budget for your business advisory board. A general rule of thumb is to compensate at the hourly rate of your highest paid executive on a per-meeting basis. All costs for attending meetings and promoting the business are reimbursed, and if you have any members "on call," a retainer maybe appropriate.

### Create and operate the business advisory board

Once you recruit your board, you will need to set goals and objectives for the time spent together. Key components and best practices dictate that you ensure you have a *code of conduct*. This code of conduct will describe how the board agrees to respect and work together; the privacy and confidentiality terms; the professional conduct (general rules of meetings) and how to honor the business values, goals and beliefs.

Operating the advisory board will require you to set meeting dates for the year, distribute agendas and related documents one week before meetings and keep members informed between meetings. The materials must be an appropriate length, well organized and detailed enough to provide a foundation for the advisory board to act. Take time for brainstorming and discussions during meetings.

As well, it is advisable to have a commitment from an appropriate point in the company to deal with the board. For example, if the board is set up to work with the Chief Executive Officer (CEO), then the CEO's involvement must be obvious and consistent. If the advisory board is set up to assist in science or marketing, then the appropriate individual, one who is willing to lend his or her name, must spend time to work with the board.

Once you are operating, the final steps will be to review, re-evaluate and remain in a state of ongoing recruitment for the advisory board.

At a minimum, once per year you will need to review the effectiveness of your advisory board members and their interaction with management and shareholders. Have your business advisory board members provide you with feedback at this time on the effectiveness and engagement with your business.

## Conclusions

The annual review stage brings you to a full circle, back to the original purpose of setting up the advisory board in the first place. In the end, you get what you put into its creation, development and operation.

If implemented effectively, these advisory boards, can provide guidance instead of governance and will be a focused, unbiased, low-risk and cost-effective way to support the growth, succession and strategic focus of your business.

## Resources

**Alberta Business Family Institute – Multiple Resources**  
abfi@ualberta.ca/780-492-0234  
[www.abfi.ca](http://www.abfi.ca)

**Business Families Foundation – Multiple Resources**  
[info@businessfamilies.org](mailto:info@businessfamilies.org)/514-877-6620  
[www.businessfamilies.org](http://www.businessfamilies.org)

**Canadian Association of Family Enterprise – Multiple Resources**  
[lorraine@cafecanada.ca](mailto:lorraine@cafecanada.ca)/866-849-0099  
[www.cafecanada.ca](http://www.cafecanada.ca)

**BDC – Information Video & Resources**  
BDC – 6 Reasons to form an advisory board (video/article)  
<https://www.bdc.ca/en/articles-tools/business-strategy-planning/manage-business/pages/6-reasons-form-advisory-board.aspx>

### Books

Creating Effective Boards for private enterprises – Meeting the Challenges of Continuity and Competition, John L. Ward, Jossey-Bass (August 4, 1991)  
ASIN: B00SCV8L8C

Game Changing Advisory Boards – Leveraging Outside Wisdom to deliver sustainable value, William Hawfield and John Zaepfel, April 4, 2013 by Createspace, ISBN: 1478221135 (ISBN13: 9781478221135)

How to build an advisory board to grow your business and increase your profits, The Advisory Board Group, Published by The Advisory Board Group 2011

How to Create and Effective Advisory Board, Nat Chiaffarano, February 2, 2014; Progressive Business Consulting Incorporated 2014, ISBN: 1628671173, 9781628671179

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