

How do I build a good advisory board?

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Matt Hurlburt, Deloitte's chief of corporate finance, says defining strategy is crucial when building a strong advisory board. Simon Hayter for National Post
Matt Hurlburt, Deloitte's chief of corporate finance, says defining strategy is crucial when building a strong advisory board.

It's tough, but the effort might help you take your business to the next level -- if you get it right. "As a small business owner, it's challenging to take your mind off the day-to-day operations and be strategic," says Matt Hurlburt, managing director, corporate finance, at Deloitte in Toronto. "A good advisory board can help you look forward and analyze the opportunities that sit in front of you."

An advisory board is a group of people who don't work in your firm, with whom you discuss business ideas and opportunities and from whom you seek advice. "They are not part of your management team," says Becky Reuber, associate professor, strategic management at the Rotman School of Management at the University of Toronto.

"They are external people. They know they are on your board of advisors.

They know who else is on the board and what their roles are. But an advisory board has no legal standing. Unlike a board of directors, where you are legally bound by the directors' decisions, you do not have to act on the recommendations an advisory board makes."

As your business grows, your advisory board may morph into your independent board of directors, with all the responsibility and personal liabilities directors face.

One of the key benefits of a board of advisors is the networks they bring.

"That's why you want well-connected people on your board, so that they can introduce you to other people you need for advice, possible partners, suppliers," Ms. Reuber says. "The board can serve as a stepping stone out to the broader business world."

An advisory board can signal your credibility in the market place. "Having a well-respected individual who believes in your firm enough to sit on your advisory board means others are more likely to take your phone calls," Ms. Reuber says.

At a time early in your business when you likely don't have the money to hire managers to fill in all your gaps, a strong advisory board whose members have varied business experience and expertise may be able to fill in those gaps as they arise.

A board of advisors can screen ideas and act as a filter. "You want them to be honest and ... tell you when something is not a good idea," Ms. Reuber says. "They can also suggest strategic and tactical ideas you may not have thought about."

To build a strong advisory board, start by defining the board's mandate.

"Clearly define the goals and objectives of your board," Mr. Hurlburt says.

"What do you want the board members to accomplish? Are they helping you with entry into new markets or channels? Are you trying to figure out how to best launch new products or services? Is there an opportunity to look at growth through acquisition?"

But it doesn't end with strategy, Mr. Hurlburt says. "Is there an opportunity to grow the eminence of your business by bringing forward a key member of that advisory board? You might be looking less for advice than what their name and cachet can bring to your business. This could be a key individual in your industry or community who has a broader network that could bring value to your business."

Defining your goals and objectives will point you to where you need to look.

In the earliest stages in the life of a business, when it's just an idea, business owners typically go to the pros: bankers, lawyers, accountants.

"They need to build their business plan in order to communicate what their business is about and how they are going to be profitable," says David Boomer, audit partner, Ernst & Young, from his office in Ottawa.

When a company is growing, Mr. Boomer suggests entrepreneurs approach MBA programs and offer up your company's growth strategy as a case study to students. "They will look at all the elements and assist you in building out the strategy." Mr. Hurlburt points to networking organizations, such as a local board of trade, and industry associations, where you can meet people in related but non-competitive companies that will understand the dynamics of your business to find potential advisory board members.

"Tap into your social networks and seek out retired business persons and competitors who have sold their business, have some time and can only golf so much," Mr. Hurlburt says. "They may be at a point where they want to keep a hand in and give back. That goes for other influencers as well, such as retired vendors."

Once you've identified who you would like to have on your team, the next task is convincing them. When you approach the people you want, be clear about what kind of advice you need. "It's like trying to get a new customer, you need to think about why someone would buy your product," Mr. Boomer says. "You need to be articulate and make them enthused about being involved with your firm. You can only do that if you start with a good business plan.

"Have a clear path of where you are going. People will generally want to get on board with that and help."

This has to be an exciting opportunity for them as well. "This may be someone who started a few firms, likes that process and wants to help someone else do it. So it's important for you to be prepared, organized and enthusiastic," Ms. Reuber says. "If you sound tentative, they will get turned off. Once you get one or two recognizable people, it will be easier to get the others. It's a bit of a snowball effect. So think carefully about the order you approach people in, because the first couple of people you

approach are going to send a signal for others down the line."