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Here's what you need before you can implement an advisory board

By Marissa Levin

Each year, 100 million new businesses will open around the world, according to an estimate by Dr. Paul Reynolds, director of the research institute at the Global Entrepreneurship Center.

However, firm birth and death rates are about equal. So roughly the same numbers of firms start and close each year.

Many of these companies go the wrong way about forming advisory boards, which might contribute to their early demise. If you want to build a strong advisory board from the start, there is a list of key elements that need to be in place first. I compiled it along with my friend and colleague Tony Lettich, co-founder and CEO of FundingSage. (Once you have vetted advisors and they are under a non-disclosure agreement, you can share this information with them prior to your initial meetings.)



Your pre-board checklist

- **Company vision, mission and values.** These are the most important foundational elements of your business. They explain your guiding ethics and principles, why you exist and where you are going. It is not the board's job to help you create these. A vision statement conveys the organization's desired future in a few paragraphs. All members of the organization should be able to identify with it, and it should help them feel proud, excited, and part of something bigger than themselves. A vision statement should project three to five years out. A mission statement explains the purpose of the organization. It should also answer these three questions: 'What do we do? How do we do it? For whom do we do it?' Values encompass the entire organization and system. Whatever the organization does and whatever decisions it makes, it will always be guided by values. Once defined, the values that are important to your organization should be reflected in everything you do.
- **Current organizational chart.** This explains the hierarchical structure of your organization. If possible, provide both a functional org chart (absent of names), and a position-based org chart (with names).
- **Company's past, present and future state.** Board candidates should understand where you've been, where you are, and where you are going. This will help in placing board members in their dedicated swim lanes.
- **Executive summary.** Every business plan includes a well-written executive summary that captures the company's positioning in a few sentences.
- **Product or service.** What problem are you solving with your product or service?
- **Target market and customers.** The candidate should understand who the company's target customers are and why they have been chosen.
- **Competitive analysis.** A strong competitive analysis indicates detailed knowledge of the competitive landscape.
- **One-year business plan.** What's the plan? How do advisors fit into this picture?

In addition, CEOs should be prepared to discuss these four factors:

1. **Advisory board role and structure.** What are you expecting from your advisory board? How will you get together? What will the meeting frequency be? Will advisors be required to convene in person, or can they call in/Skype in? Will advisors be required to be available in between formal meetings? How engaged will advisors need to be with others beyond the executive team?
2. **Advisory board candidate role.** What is your advisor's specific role? What is his/her dedicated swim lane? If he/she is assisting with business development, will there be additional compensation? How will you measure success?
3. **Compensation.** You can compensate your advisory board members on a monetary basis, a non-monetary basis, through equity/stock options or a combination of the above. Whatever you decide, you must decide something. Advisors do not sign on as advisors for the money. They do it because they believe in the leadership and in the mission of the company. However, as the owner, you must put some skin in the game. You must invest yourself if you want to ask others to invest themselves. Further, by compensating your advisors, you will feel comfortable reaching out when you need assistance.

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4. **Board exit strategy.** All business partnerships should begin with the end in mind. Should you or your board member decide to part ways, it's essential to protect the integrity of the relationship. A restricted stock agreement will protect both of you.

Do you have an advisory board, or are you looking for advisory board members? If so, please email me! I am now leveraging my online column to profile successful advisory boards, and to help those that are seeking advisors.

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