

Advisory Boards

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Goals for Advisory Boards

- Establish credibility by association
- Connections from Board members
- Review & input on company's strategy
- Feedback on products or services
- Conflict Resolution within small teams
- Sounding board for Founders
- Assumed "open networking" policy

Types of Advisory Boards

- Customer
 - Help with product development, marketing & sales
- Strategic
 - Help with strategy, company development & strategic alliances

Member Obligations

- Public relations
 - Allow association to be publicized (Web site, pr campaign)
 - Willing to talk to press
- Attend meetings & participate
- Respond to phone calls & emails
- Respect company's confidentiality & non-compete issues
- Help recruit other members
- Provide strategic & networking help
- Provide feedback on product or service

Benefits to Members

- Ringside seat at entrepreneurial, high growth firm
- Networking & interaction with other members
- Ability to influence company & industry
- Ability to “upgrade” to a BOD Member
- Chance to be associated with success
- Potential financial benefit from shares

Company's Obligations

- Protect member's time
- Protect member's confidentiality (contact info) & reputation
- Make meetings & interactions interesting, stimulating & rewarding
- Provide inside look at company's strategy & products
- Setup Efficient Meeting Systems (Zoom or Similar)
- Do not Blurry lines between Founders, Executives, Staff, BOA, BOD/Investors.

Advisory Board Composition

- Membership – 7 to 10
 - More than 10 hard to manage
 - Plan on at least 2 not attending meetings - need about 7 to get attendance of 5
 - Get mix of expertise/experience/industry
- Chairman
 - Helps with agenda & scheduling meetings
 - Gets additional shares as compensation

Member Qualifications

- Industry experience
- Startup experience
- Advisor experience
- Subject matter expertise (engineering, marketing, finance, etc.)
- Time available
- Willingness to work for company
- No conflicts
- Chemistry with founders/principals
- Name value

Recruiting Members

- Founder's contacts
- Investors's contacts
- Cold calls
- Consider prospect's geographic location (impact travel costs)
- Look for successful entrepreneurs who may have time available
- Various Industries, and not only businesspeople: ie Artists, Scientists, Musicians, Academics, Sports, etc.

Term

- One-year renewable
- Co-terminus with other members
- Weekly Zoom/Chat Check-in / Huddle
- Quarterly formalized Meeting w/Agenda
- Quarterly BOA Meeting may include BOD Members (Networking Opportunity)
- Yearly Event or Social Gathering / Scheduled after a Quarterly Meeting

Compensation

- No cash comp
- Pick up expenses involved in attending meetings (travel)
- Stock options
 - Vest in one year
 - Chairman may be offered more shares
 - Additional options for service beyond one year
 - Total for board = .5% - 1.0% of shares outstanding

Letter of Agreement

- Outlines mutual expectations & responsibilities
- Lists terms & conditions
- Accompanied by non-disclosure/non-compete agreement
- Specifies Length of Term, Attendance
- Specifies Shares and Vesting, if Any
- Signed by BOA Member and Company

Advisory Board Management

- Founders/CEO must be involved
- VP of Marketing can manage day-to-day functions – especially for customer boards
- Consider once a year joint meeting of Board of Directors & Board of Advisors
- Be wary of spending too much time
- Email Groups & Chat Groups are useful for mindshare, however avoid email “bloat” and information overload.

Meetings

- In person
 - Expensive, time-consuming, requires pre & post meeting work
 - Most valuable to members & to company
 - 1 to 3 times per year; 2x per year optimal
- Virtual
 - Use Web technology
 - Saves on T & E
 - Easier to schedule
 - Save transcripts
 - Be consistent (i.e. Zoom or MS Teams, not both)
 - Schedule meetings 2-3 months in advance
 - Log Attendance, target 70-80% attendance

In Person Meetings

- Place
 - Off site – away from distractions – hotel meeting room
- Time
 - ½ day +; less not worthwhile for travel time & cost; more may be hard to schedule
- Schedule a years meetings in advance
- Pre-meeting dinner –night before for social agenda
- Agenda
 - Develop with Chairman, member input
 - Get input from management team
 - Clear objectives & deliverables

In Person meetings (cont)

- Member preparation
 - Review agenda
 - Homework assignment
- Make interactive – minimize presentations, maximize feedback, discussion, interaction
- Use company scribe to take notes
- Advisory Board should not have “voting” or Governance, or other legal requirements as Boards.

Virtual meetings

- Time should be shorter than in-person (2+ hours)
- Make sure technology works beforehand!
- Dry run with staff to debug process
- Use Zoom or Similar

Post meeting follow-up

- Thank you notes/emails/call
- Reimburse T & E expenses
- Send out meeting notes & action items
- Confirm schedule for next meetings
- Touch base with those who did not attend, warn upon 2.
- Three Strikes your out policy for 3 missed meetings.

Public Relations

- Post advisory board bios on Web site
- Instruct BOA members to not say “I’m on the Board..”
- Include their email & links to their Web sites if they wish – as well as linkedin + other portals
- Be careful to not imply that their employer is endorsing the company
- PR should focus on the Advisory Board in toto, not on individuals
- Prepare BOA members for press & investor questions
- BE VERY CAREFUL:

An Advisory Board Member is **NOT** a “Board Member”