



## THE SITUATION ROOM

Executive Overview for:

### **The Benefits and Cautions Connected with an Advisory Board**

*"The one thing that privately held business owners must accept is that what got them started in a business was more than likely not Finance and Accounting, Administration, I.T., or H.R. Having a background, especially in Finance, is a good thing and certainly can be critical to the business as it grows. What got most people started in business, however, was the combination of a good idea that resulted in a competitively differentiated product or service and the knowledge of a market void where this idea would provide great value. In many cases, it's providing a service but doing it better and faster than your competition. Building a successful business always takes a lot of work and it always requires that you stay focused on creating credibility with your customers. Those skills are what got you started toward success and it is these skills that will sustain your growth.*

*As growth occurs, however, the Owner or Senior Leaders must begin to replace themselves by backfilling resources both **in** the business and also fulfill a requirement that we begin working more and more on the business so we can effectively plan for growth and financial performance.*

*Having the ability to surround yourself with people who are skilled in related business disciplines and also committed to your success can be accomplished through the use of an Advisory Board." - YourBoard.US*

1. The three things that make an Advisory Board a good idea.
2. Some things to be careful about when employing an Advisory Board.



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On many occasions, we have referred to inviting a trusted friend, banker, accountant, lawyer or small business peer to support you with advice on topics of succession, partnerships, evolution from entrepreneurial to a Phase II Operating Companies etc. What is important in the selection of these "trusted advisors" is that they have depth and experience with the issues and challenges that are pertinent to your business. If they do, these advisors can bring real value to your small or mid-size operation.

I am a firm believer in having experienced third party advisors as part of your executive structure to bring unfiltered perspective to the wide variety and range of challenges that are always faced in business.

The potential problem occurs when your Advisory Board starts to look like a publicly held Fiduciary Board and requires that your team invests more time in preparing for the meeting than what you get out of the meeting in the way of actionable advice. The reality is that most Advisory Boards only request certain financial information in advance. It is always the company's leadership that seems to want to produce a lot of unrequested information. Don't let this happen. Use the Advisory Board to tackle key issues and gain thoughtful advice on how to move forward.

**The solution to making your Advisory Board a huge advantage for your business include:**

1. **First,** be certain the people on the Board represent your needs for experienced ideas and advice.

Ideally, the Board or Advisors should have a thorough understanding of the size of your business and the type of industry you are in.



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## 2. **Second**

- One member of the Advisory Board should have had direct experience with another company that parallels the strategic trajectory your company is taking.
- One member should have good experience in the sales and marketing of a similar category or type of product or service that your company produces. Ideally, there is knowledge of how to maximize the use of the Internet and social media on the Advisory Board.
- Either the same member, or another one, should have experience with the sales and sales channels options that your company is using, or pursuing, in building a bridge to your targeted buying influences.
- One member should have a strong financial background with experience in accounting processes, software, banking relationships and raising capital. This member may also have the knowledge in IT structures for growth and security.
- Depending on the category of business you are in, an operations person with experience in manufacturing, engineering and logistics may be appropriate.

## 3. **Third**

- The monthly or quarterly financials should be sent to the Advisory Board in advance with proper narratives.
- An agenda should be sent out one week in advance outlining the topics that you are seeking advice on for this quarter.
- The Agenda, sent out the week in advance of the meeting, includes only 30 minutes (unless there are significant issues) for reviewing the pre-mailed financials with the balance of the time focusing on the topics that you and your team need ideas and guidance.



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## **Advisory Board Summary**

Never allow your company to focus time on preparing vast amounts of information to be presented to the Advisory Board. Instead, use them for what the initial intention is, which is to have them bring expertise to topics and challenges where you and your team need some advice.

There is a big difference between a Board of Directors and an Advisory Board.

Advisory Boards can provide a great advantage for small and mid-size organizations and businesses if they are selected properly and are used properly as true advisors.

An option for gaining ongoing advice and council is to use the YourBoard.US on-line, Advisory Board to offer on-line business advice and counsel.

In addition, YourBoard.US has multiple portals that lead to advisors who specialize in key areas of business.



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