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Getting creative with nonmonetary advisory board compensation

By Marissa Levin



For small business owners who want to implement advisory boards, nothing is more intimidating than the topic of compensation. After all, cash is king in all businesses. The thought of shelling out thousands of dollars several times a year often stops business owners from moving forward with adviser relationships. If it's a choice between investing in IT, hiring a salesperson or paying advisers, IT and sales will win just about every time.

So how can a small business owner that craves outside guidance find a way to engage an advisory board without compromising precious cash flow?

There are several creative, nonmonetary compensation options to choose from. While money does not change hands, these models can equally well compensate advisers.

Reciprocal board service: Many small business owners offer to serve on their advisers' boards, which can be a very valuable exchange if your skills are complementary (as opposed to overlapping). Maybe you're an operational expert with the ability to spot new process efficiencies. If you're looking for an adviser with expertise in raising capital, driving sales or implementing new technology, chances are they could benefit from your know-how, too.

Products or services: Adrienne Graham, founder of Empower Me, a small Atlanta publicity firm, has had her board in place for four years. Her compensation model is not cash- or equity-based. Instead, she trades services, providing publicity for her advisers through magazine and radio show coverage.

If your firm provides a service or owns a proprietary tool that would be helpful to an adviser, allowing access to this intellectual property can be valuable, mutually beneficial compensation. During interviews with a prospective adviser for my own company, I learned that this person was very interested in licensing my SCALE Model, which he would use through one of his companies. We discussed his board service in exchange for rights to my SCALE Model for his clients that needed to implement a board and wanted to follow a process.

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Philanthropy: If your prospective board member is involved in a specific cause, they might prefer that you support that organization with your time, money or talent. Perhaps you can donate your personal time to a fundraising effort or participate in a charity event. My company, Information Experts, has donated its video and marketing services to various nonprofits that advisers have supported over the years.

Opportunity to be a co-founder: Many advisory board members are not driven by a cash compensation model. They are serving on boards because they believe in the founder and the company, and they want to stay connected to the business community. Some are also seeking good investment opportunities. Another potential nonmonetary compensation option that won't drain cash flow but will provide earning potential for advisers is to allow them to invest in the company and take a co-founder position. In Silicon Valley, advisory board positions are often filled with advisers that want to invest in the firm. This option provides a win-win for both the company founder, who needs cash to grow, as well as the adviser looking to own a piece of a firm that they know and want to help grow.

Thinking creatively and building a compensation model that includes a combination of monetary, nonmonetary and equity solutions can lead to great partnerships between owners and advisers.

Entrepreneurs have a talent for finding solutions to seemingly impossible situations. The challenge of compensating advisers who can be instrumental to growth can easily be addressed with creativity and determination to find value for both parties. **CEO**

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