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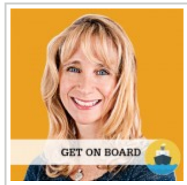
Q&A: What makes a high-performing advisory board?

By Marissa Levin



Bobby Christian, CEO of Waterfall Software, is a prolific expert in building successful companies, and in building and serving on advisory boards. He is one of my longtime advisors, so I turned to him to provide insight for companies looking to implement a high-performing advisory board.

Q: We're living in a startup nation. How high of a priority should an advisory board be for a startup firm?

Christian: The advisory board should be one of the highest priorities for a startup. The people you choose to advise you in your startup phase should be an extension of the entrepreneur, but with deeper skills and subject matter expertise in areas where the entrepreneur lacks. A client or prospect advisory board can be the difference between surviving the startup phase and falling flat. If you can identify prospective clients who will derive real value from your product or service idea, often the client advisory board will help drive the requirements to accelerate revenue for the company.

Q: What should startups look for when seeking out advisors?

Christian: The best way to seek qualified advisors is to take an honest look at the skills and expertise you have in the company. Then determine what skills you need to complement or enhance your management team. Every start-up should have:

• **Access to finances:** Fundraising experience or a way to get the required money to fund the business.
• **Access to prospective clients:** Having one to three prospective clients involved in the strategic direction of the company and the development of the product or service has been the key to my personal success during the start-up phase.
• **Excellent legal expertise:** Most early-stage entrepreneurs try to save money by skimping on legal advice, and it comes back to bite them later. Find a strong attorney that likes and understands your business. [Some attorneys] will work at a reduced fee for equity in the company.

Q: How should startup CEOs go about finding advisors?

Christian: Treat the advisory board process the same way you treat identifying and qualifying a significant other or spouse. It ends up being a bit of a marriage with a great deal of give and take.

Q: How should startup CEOs engage their advisors?

Christian: The best way to engage an advisor is to start with an advisory board charter document that clearly and concisely articulates your expectations for each advisor. The charter document should include: roles and responsibilities; term or duration; success criteria; compensation (cash, options and/or equity); time commitment; communication style (email, text, phone, in-person meetings, etc.); schedule of meetings (usually a quarterly meeting with the advisory board and ad-hoc as needed); separation and termination options should the relationship not work out.

Q: In your experience, what should the length of service be for advisors?

I believe it is best to have a six-month trial period. If the trial period goes well, a one-year term with the option to renew — if it's mutually agreeable— has worked best for me. In general, you probably want to have a two-year commitment in order to maintain continuity as the business evolves and grows. [That said,] some of my advisors have stayed on board for the entire lifecycle of the business, from concept or start-up to acquisition or exit.

Q: What would prompt a turnover in advisors?

There are many reasons for turnover in advisors, but the most common are changes in the business or the personal situation of the advisor. As the business evolves, advisors are like executive management team members: The ones who help you start and get to $5 million to $20 million in revenue are not necessarily the ones who get from $20 million to $100 million. You have to be willing to reward your advisors and make it easy to transition them in and out of your business.

Finding a board on which to serve

Q: For those that want to serve on an advisory board, how should someone determine if the board is the right fit for them? What do you look for?

It's usually very easy to determine if a board is right for you based on the chemistry with the CEO and

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The way to prevent death by meeting is to make meetings matter executive team and the type of organization. There should always be an obvious fit in terms of your ability to contribute and the company's needs.

I always look for a CEO who is genuinely ready to listen and take advice. That is easier said than done because most executives are strong, and they believe they have most of the answers. The best executives I have worked with in the past are the strong leaders who are willing to listen to people with experience, assimilate the information and then make the best decision for their organization. I also look for opportunities to make the biggest impact based on my network, knowledge and skill set.

Q: What should an advisor do if they take a position, and they discover that it really isn't a fit?

Transition as quickly and effectively as you possibly can. One of the most difficult things for an executive to do is ask an advisor to move on. If there isn't a fit, it's usually very obvious within the first few weeks or months. It's best to move on quickly.

Q: How much time realistically does an advisory board position take up?

The advisory roles I play now range from four hours per month to 10 hours per week. It really depends on the responsibilities and the expectations set at the beginning of the process.

For my advisors and as a general rule of thumb, I have one quarterly meeting when we all get together (usually over a meal) and then I meet with each advisor once a month for coffee, breakfast or a happy hour.

Lessons learned

Q: What have been the most important lessons you have learned regarding board service, and what advice would you give to someone seeking advisors?

My biggest lessons learned (in no particular order):

- Be humble.
- Listen.
- Take in all views, filter, then make the best decision for the success of the organization.
- Understand why you are asking someone to be an advisor.
- Create a clear and concise advisory board charter document and tweak it for each advisor.
- Create an advisory board culture so it's easy to transition advisors in and out based on performance and the needs of the organization as you progress through each stage.
- Figure out a way to reward and compensate your advisors based on your ability to [compensate] and their ability to contribute.

Marissa Levin is chairman of strategic communications firm Information Experts, and CEO of Successful Culture, a consulting firm that helps CEOs build excellent cultures. She is the author of Built to SCALE. www.informationexperts.com Contact her at marissa@successfulculture.com or on Twitter @marissalevin.

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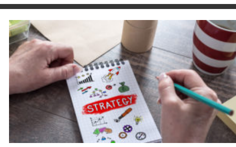

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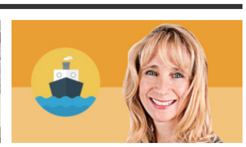

Q&A: How to find the right advisors — and the right board on which to serve

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