



Advisory Board 101

AN ADVISORY BOARD IS A GROUP OF INDIVIDUALS THAT ADVISES A COMPANY'S MANAGEMENT TEAM.

They are a valuable, strategic asset to your startup **business** as you develop a product, attract pilot customers, raise outside funding, and enter the market. The value they bring depends on your desire for independent, experience-based input and how engaged the advisors are in helping your business succeed.





Benefits to the Entrepreneur

EFFECTIVE ADVISORY BOARDS CAN **ACCELERATE COMPANY DEVELOPMENT** IN MANY WAYS:

An advisory board is not the same thing as a board of directors, since they have no fiduciary responsibilities and cannot hire and fire management. Because of this, advisors do not require directors and officers (D&O) insurance.

Mentoring All leaders have strengths and weaknesses and are bound by a single lifetime's worth of experience. An effective advisory board provides mentoring, friendly guidance and, ideally, will include at least one member with whom the entrepreneur connects on a personal level.

Strategic Thinking Advisory boards populated with experienced entrepreneurs and industry experts can offer guidance on strategic matters such as product development, developing sales or financing strategies, and/or human resource decisions.

Industry Experience Entrepreneurs often start businesses without prior experience bringing a new product to market successfully. Instead of learning lessons the hard way and wasting precious time and resources, entrepreneurs can lean on industry experts to help avoid common pitfalls.

Preparation When entrepreneurs attract equity investors, at some point they're required to form a Board of Directors. By building and managing an advisory board, entrepreneurs are more accustomed to engaging with and leveraging a group of outside stakeholders. Plus, some advisors could transition into directors.

Access Members of advisory boards come with networking and contacts entrepreneurs could utilize to attract capital investment and pilot customers.

Credibility Having respected industry experts or successful entrepreneurs on an advisory board can give potential investors, prospective customers, and partners confidence in a business.

Building an Effective Advisory Board

How JumpStart Can Help

JumpStart can help you build your advisory board by:

- Introducing relevant and interested advisor candidates
- Supplying best practice to manage your advisory board effectively
- Providing templates and documents to formalize the creation of your advisory board, as well as compensation agreements

The ideal advisory board brings the following backgrounds:

- Industry or technical expertise in related markets.
- Leadership experience at a company that grew from startup to sustainable business
- Equity investment fundraising experience (VC or angels)

When choosing advisors, keep several things in mind:

1. Start with a three-person advisory board
2. Work with people you like
3. Find smart, experienced advisors who want to help
4. Seek out mentors
5. Recruit other successful technology entrepreneurs
6. Pick advisors who will tell you what you need (not what you want) to hear

Thinking about compensation? People that match the description you're looking for will probably have many alternative uses for their time and energy. Demonstrate that their time and input are valued with a small amount of equity, typically between .25 and 1%. Cash compensation from startups is rare for obvious reasons.

Maximizing an Advisory Board's Value

GETTING THE MOST VALUE OUT OF YOUR ADVISORS, BOTH INDIVIDUALLY AND AS A BOARD, TAKES WORK AND DISCIPLINE.

Meet regularly Strategies, market dynamics, and product development timelines change quickly in a startup, so it's important that you seek input from your advisory board regularly and frequently. In the first year, it's standard practice to bring your advisory board together quarterly, if not monthly.

Develop individual relationships In addition to meeting with your advisors as a group, make a point to seek individual input on specific issues. In some cases you might find you'll be working closely with a single advisor who brings skills, contacts, and experience in an area of current focus for the business.

Keep it strategic Advisory board meetings should not be "bored" meetings with tactical updates of everything you've done since you last met. Provide update materials a few days ahead and only touch on questions or concerns. Spend the bulk of your time discussing decisions, strategies, or areas of the business where advisors can have the most impact. It's a good idea to have a list of the topics prepared and circulated with the update materials.

Follow up and follow through The most effective way to keep your advisors engaged is to show them their advice matters and is supported by action. If action items come out of a meeting, be sure to execute them promptly and inform advisors of progress. If individual advisors are tasked with items, follow up and hold them accountable to timelines.

Communicate. Communicate. Communicate. Provide regular email updates on business progress, milestone achievement or other news that will keep your advisors informed and engaged in your company. Having a written agreement with each advisor laying out time and engagement expectations is also helpful.

For more information on board of advisors, email Robert Hatta at robert.hatta@jumpstartinc.org.