

What is an Advisory Board?



10 benefits of an active board

1. Providing in-house experience and expertise.
2. Encouraging self-discipline and accountability in management.
3. Providing a sounding board to aid in evaluating business owners ideas.
4. Offering honest, objective opinions on performance, strategy, compensation and other business matters.
5. Assisting in strategic planning and monitoring frustration.
6. Offering insight into key people.
7. Asking challenging, penetrating questions.
8. Giving confidential and empathetic counsel.
9. Aiding creative thinking and decision making.
10. Enhancing cooperative relations with constituents including employees, suppliers, customers and the community at large.

As businesses increase in scale, often the owners find themselves moving from a production manager to a business manager. This is typified by owners spending more time managing the business and the people, and less time actually doing the physical operations.

When a business is at this point of development there are substantial benefits associated with forming an advisory board. The wisdom that can be provided by a small board of peers, advisors or mentors can provide a competitive advantage as depth of thinking is increased.

Purpose of an advisory board

- Have outside input and critique into the management of the business. This includes accountability measures.
- Have an overview of the financial position and performance of the business and provide advice as appropriate.
- Design processes and controls for capital expenditure.
- Contribute to policy development.
- Identify business risks and assist with scoping of appropriate risk management strategies.
- Contribute to business strategy development and innovation.
- Provide mentoring support.
- Provide outside technical views of the market and economic trends.

Advisory boards provide your business with:

- The wisdom of crowds to design a profitable business model.
- Focus on strengths, weaknesses, opportunities and threats.
- Allocated time for 'working on the business'.
- A culture of governance.
- Focused marketing and brand development.
- Continuous review and development of the business plan.
- Focus to become an employer of choice.
- Increased professionalism and accountability.
- Business case methodology.
- Benchmarking and continuous improvement.

The themes of each meeting can include:

- February - Group operations update, current budget review, forward year budget analysis, production planning, previous production year benchmarks, annual leave planning, share farming/lease review, capital expenditure planning, policy manual development.
- April - Group operations update, final tax planning, current budget review, forward year budget analysis, salary package review, human resource report from annual performance appraisals.
- July - Group operations update, current budget review, forward year budget analysis, business planning update, advisory board annual review.
- October - Group operations update, final prior year financial statements, current budget review, forward year budget analysis, next production year.

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Responsibilities of advisory board members

- To help achieve the business objectives through active contribution at each board meeting.
- To mentor the business managers in implementation of the business plan.
- To assist with the analysis of business opportunities and ideas.
- To have strength of character to pose some hard questions.
- To identify new opportunities.
- To be thoroughly prepared for each advisory board meeting.

What's the difference between a statutory board and an advisory board?

An advisory board provides non-binding strategic advice for the management of the business. Unlike statutory boards required by the Corporations Act 2001, they are less formal and have greater flexibility in how they are set up and managed. (AICD, 2013)

The consultant holds no directorship, or any other formal position in the business, and has no authority to act on the clients behalf.

Developing an advisory board

If you are considering developing an advisory board for your business, a good process to begin with is defining the board charter.

An advisory board charter should include:

- The purpose and scope of your advisory board.
- Membership – how many people, who and their roles in the board.
- Frequency of meetings.
- Business rules for board operations.

If your board requires external members or an independent chairperson, then ensure you are selective with whom you choose as an advisor. Ask yourself the following questions.

- Do you trust the advisor and feel confident with him/her?
- Does the advisor have enthusiastic references from businesses similar to yours?
- Is the advisor suited to the role you need him or her to play?

We offer advisory board services for rural and small businesses in a wide range of areas.

For more information on advisory boards, contact us on 08 8841 4500 or visit www.ruraldirections.com