



WHO ADVISES THE ENTREPRENEUR?

By Kerrie MacPherson

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If you're leading a startup business with potential for high growth, one of the most valuable things you should do early on is to set up an advisory board. Scaling an enterprise is hard work, and you only stand to benefit from drawing on perspectives, experience, and networks that augment your own. A group of advisors committed to your success not only provides a sounding board to test and strengthen your ideas, it gives you access to important competencies and resources.

But many entrepreneurs, especially those in the early stages, find the task of building an advisory board daunting. Whose strengths would complement their own and counter their weaknesses? Who might bring an insight to the table that would otherwise be missed? It can feel like an exercise in knowing what you don't know. Moreover, most people who have not formalized such a board before haven't given much thought to what it takes to keep one running effectively.



This is why, in the [Entrepreneurial Winning Women™ program](#) I oversee at EY, we make this an early part of our teaching. The program is our effort to help women entrepreneurs in particular take their small businesses to the next level. We identify promising startups and provide the women behind them with customized executive leadership training and the opportunity to join an elite network.



*The **advice we offer** and the discussions that take place among our entrepreneurs center on five key tips:*

Look outside your existing network of contacts. As you sit down to think about whom to invite onto your advisory board, remember first that this should not be a group of your friends and fans. You're looking to drive new business opportunities and new ways of thinking with diverse experience, expertise, viewpoints, and skill sets. Work to find people outside your inner circle who have built successful businesses and can pass that knowledge on to you. Think about who would be a constructively critical audience, and who can provide access to other valuable contacts, from potential customers, suppliers, and strategic partners to financiers, publicists, and other professional service vendors.

Recruit a well-known community member or industry influencer as your first board member. There is a reason that film producers begin their projects by lining up the most bankable talent they can. Their involvement helps to attract others who want to work with them, or who simply see a star's



commitment as reassurance the project will take off. In the same way, entrepreneurs should work first to recruit the people who will attract others, and give an advisory board strong credibility from the start.

Invest the time in developing relationships with your board members. Since most are not compensated, their reward is the satisfaction of sharing their knowledge and experience and helping you succeed. So make them feel appreciated! (Meanwhile, if a prospective board member does insist on being compensated, determine how uniquely valuable he or she is. If there's a possibility of a long-term business relationship, you might want to offer that person some kind of remuneration.)

Establish goals and expectations for the board up front, including how often it meets and where. Usually, in-person meetings once every three to six months will suffice, but you may want to reserve the right to consult with individual members on an ad hoc basis if a particular issue comes up. When the board does meet, make sure there is an agenda with specific goals. Your board members are busy professionals, so don't waste their time. Perform a yearly assessment of how the board is working. If you can afford it, invite them to an offsite at a comfortable locale at your expense to have them discuss the board's progress.

Have a framework for transitioning out board members. As a high-growth entrepreneur, your business will evolve, and you will likely need advisors that bring different skills to the table at different phases of growth. Most will not have the time to serve on your board for more than two or three years, anyway. And

others may not be as helpful as you had hoped. So, make it clear up front that they serve as needed and spell out term limits.

Finally, if you're thinking of setting up an advisory board, be very clear on what it is, and what it's not. It's not a formal board of directors, which has well-defined duties including a fiduciary one. An advisory board holds no legal or financial responsibility for the decisions you make.

Instead, it is a group of volunteers with knowledge and skills that you, the business owner, lack, and whose purpose is to help you make your company a success. It is there to assist you, challenge you, guide you, and open your eyes to new opportunities.

For a high-growth business, it is difficult to overstate the importance of that kind of support. Advisory boards allow entrepreneurs to leverage others' specialized knowledge while honing skills and talents of their own. Reaching new markets, accessing new forms of funding, adopting new technology, and garnering information to manage risk are all necessary to scaling a sustainable entrepreneurial venture. A strong advisory board is one of the fundamental building blocks that will allow you to take your business to scale.



About the Author

Kerrie MacPherson is a principal at Ernst & Young LLP and executive sponsor of its Entrepreneurial Winning Women program. She has served on EY's Gender Equity Task Force, is an active leader in its Professional Women's Network, and is the Diversity and Inclusiveness Champion in the Financial Services Office Advisory Practice.

* This article originally appeared [here](#).