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A Board of Advisors can Keep a Business on Track

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A business doesn't have to be big to benefit from the advice and expertise of other professionals. A savvy entrepreneur will assemble a board of trusted advisers to provide feedback and suggestions for leading the organization.

Unlike a board of directors, an advisory board comprises people with no legal authority, fiduciary responsibilities or other obligations to the business.

Terms of membership

Before joining an advisory board, potential members should know what is expected of them. Because they will learn confidential information about the company, board members are expected to sign agreements to not disclose information about — and not compete with — the company. Anyone who refuses to sign a nondisclosure and non-compete agreement should not be on the advisory board.

Because board members often serve without compensation, an entrepreneur shouldn't expect these individuals to provide free advice within the scope of their professions or careers. Requests for advice should be general, and it's a good idea to plan meetings around meals.

These terms should be spelled out in a written invitation to prospective board members. Participants should know how frequent meetings will be, what day and time they'll be and any other commitments they'll be expected to make.

An attorney should review the invitations and any other documents related to the advisory board before formal requests are made.

What kind of advice to expect

An advisory board is routinely expected to weigh in on the implementation and review of internal and external business policies, capital needs and possible funding sources, plans for growth and diversification, agreements regarding conflicts of interest or confidentiality of information and marketing and public relations campaigns.

Before deciding who could be the best sources of such advice, the business owner should evaluate his own skills and consider the types of challenges the company typically faces, as well as special but predictable challenges. He should visualize how the business might look a year later because of the advisory board's involvement. And an honest appraisal of what aspects of the business make him most anxious will help the business owner know what kinds of help he needs to feel more confident.

Time to choose

After the leader has identified the types of experience that will most benefit his business, he can start identifying individuals from those fields of expertise. The qualities to look for in a board member include objectivity, honesty, the ability to work collaboratively with the leader and other board members and a personal interest in helping the business succeed.

The most effective board members are people whom the business owner respects for their accomplishments or their general integrity. And it certainly helps to have people with connections to other business resources.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding-resources for their business or idea. To learn more, go to www.FinanceNewMexico.org.

