

THE GROWTH CONSORTIUM

Growing a business on your own is challenging, so setting up an advisory council is a smart business move. The advantages are the valuable outside experience and objective assistance its members can bring to the future direction of your business.

Words Maureen Jordan

It's not ground-breaking news that many owners of a growing operation try to do too much on their own and could benefit from external help. But what form does this help take? A business owner might be wise enough to bring in a coach or mentor, or to effectively use their growth-savvy accountant to help guide them through the cash management cycle and stresses of an expanding operation. But there are other ways.

Some business owners have found it beneficial to set up a council of advisers who assist the CEO or managing director in how to best achieve the goals the company has set itself. Once privy to the workings of the company, these advisers may give advice based on their past experience or offer introductions to potential clients through their established networks. Therefore these advisers not only take on the role of being objective sets of eyes on the business, they can also bring valuable contacts to the table.

Leanne Preston is the CEO of Wild Child, a business that sells a range of natural products for the treatment and prevention of head lice and nits, across 14 countries. Preston maintains that having an informal advisory board was an important formative step in Wild Child's success. "I approached people who had the skill sets that I didn't have. So for me, it was building this global vision, but to do that, I had to have people who had the experience and were skilled in the areas that I wasn't.

"For example, the first person I approached was a pharmaceutical chemist so he could look after product development [in a technical and regulatory capacity], then I brought on board an accountant and a financial planner, and I also approached some major captains of industry who could help me on this journey. So I surrounded myself with experts

and they've been really great mentors and people who have helped guide me."

Setting up an advisory council doesn't have to be complicated. "The important thing to understand when setting up a council," says Andrew Bland, founder of commercial law specialists BlandsLaw, "is that it's not governed by the *Corporations Act 2001* or other company-related law because it's not a board of directors governed by a constitution. It's simply a group of advisers." He says that while the company may wish to enter into agreements with individual advisers, particularly if they're being remunerated, there's no need to put any formal legal framework around the council. There could be legal issues, however, surrounding the formation of such a council if thought isn't given to its structure and purpose.

"There are advisory councils whose members are called directors," Bland adds, "but I'd guard against using that word. A director of a company forms part of a board and there are many legal duties (and potential liabilities) that arise for regarding their relationship with the company. Such duties won't exist for members of an advisory council and for the avoidance of doubt, I'd suggest you don't refer to them as directors."

GETTING THE RIGHT PEOPLE ON BOARD

One striking difference between a member of an advisory council and a director is that the role of the council is far less formal. "There will usually be some agreement about the number of meetings to attend each year," Bland says. "However, the council's role is purely that of informal advice and assistance, as opposed to the duties that a director and the board has to the company, such as ensuring that the company does not trade whilst insolvent."

More than likely, however, you will have to pay to have such experts giving up their time to assist your business and this

should be seen as an investment in its future growth. Payment can vary depending on the skills and experience each adviser has – but be prepared to put dollars on the table.

If you select the right people, your advisory council can be a useful sounding board for your CEO or MD (that could be you!). One thing you don't want is a council of mates who tell you only what you want to hear. A council should add a certain independence and diversity to the advice that you may not get from a board of directors or a consultant.

RULES OF ENGAGEMENT

If you've decided that an advisory council could have real benefits for your business, then here is a guide to its establishment:

- Create a charter for the council. Your advisory council needs a charter so members are aware of what's required from them and the council. The charter should spell out that members do not have legal liability to the company. You can write your own set of rules and get rid of anyone you don't want but that could damage your reputation if you kick out an adviser. Have term limits of one or two years, which lets fresh blood into the council naturally. Remember that confidentiality is important. Your council members could be exposed to sensitive issues and confidential information.
- Create a formal position description for who you're looking for. Work out skills you want and have each council member formally selected. Retired executives and business owners have great experience and great networks. What about your accountant – do they have the ability to add value to your business by being on such a council? After all, they know your financials back to front so their input could be a real plus.
- Ask each person what their vision is for being on the council. If they mention money (though they will be paid) don't include them. Be honest with each potential member. Explain your problems and goals and see how they react. Select people you admire and trust. Make your expectations clear.
- Determine how many meetings a year there will be. There is a discipline imposed by regular meetings and a set of objective eyes regularly on the business. Suggest initially 12 meetings a year (one each month perhaps more in the first six months). Then they can be tapered off. Let each member know how often the council will meet and how long each meeting will take.
- Conduct a formal member induction program so this brings clarity to the role. This sets out how the council works, how each member's role adds value, etc.
- Engage in process reviews. Review each meeting to check its effectiveness. Have a thorough annual review to determine the effectiveness of the council. You need to give feedback to the council; particularly how each member adds value.
- Remember that the council needs to have a chairperson. The chair should be someone external to your business. **G**

TIPS FOR SETTING UP AN ADVISORY COUNCIL

1. Work out why you want to set up an advisory council. Do you have intergenerational change occurring in a family operation that needs to be managed? Are you in survival mode following a set back? Or simply, has your business grown to a point where you need outside help?
2. Put thought into what skills you require in an advisory council.
3. Think about what you want to improve in the company. If there's a problem with business development, get someone who can help advise the sales team on how to improve. If there's a problem with leadership, get someone who's either capable in that area, or who knows what's needed to improve this skill set.
4. Think carefully about where the company needs assistance and the goals it's looking to achieve and then choose members that can help achieve this. Select members who are strong in different areas, so the council can provide a variety of advice. It's probably not particularly useful to have too many members whose key strength is finance, for example.
5. Work out what the business can afford to pay. You need to come to terms with the fact that you have to pay for great advice. You won't have to pay your council members anywhere near what you would pay a director but you do need to reward them. It all depends on who the person is and what skills and contacts they bring to the table. They wouldn't have to spend time reading board papers before each meeting but they would have to put time into understanding the nitty gritty of your business. Work out what each person's hourly rate would be.
6. Consider who do you want on the council and how many members you want. The right people can be a huge benefit to your business. You don't want too many people involved but you do want the right people. For instance, you could consider bringing in people to complement your own skill set, or who are experienced in a particular key business area – bringing their skills and experience to the table.
7. Carefully consider whether you are able to let go some control of the business and implement the advice given by the council.