



COVENANT
FAMILY WEALTH ADVISORS

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Advisory Boards:
**An Untapped Resource for
Entrepreneurs & Business
Owners**

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“Almost by definition, the [advisory] board requires a company to be more reflective, and pushes it to build a long term vision. This leads us to believe that business owners with advisory boards likely develop greater rigour, and are better able to strategically orient their companies and take the necessary steps to reach their objectives.” – BDC Study “Advisory Boards: An Untapped Resource for Businesses (March 2014)



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Outline

- A. Important General Points
- B. Benefits of an Advisory Board
- C. Profile of Advisory Board Members
- D. Arrangement with Advisory Board Members
- E. General Related Services Provided by Covenant
- F. Specific Services Provided by Covenant



A. Important General Points

- A Board of Directors has legal responsibility and liability and is governed under relevant company laws; by contrast, an Advisory Board has no legal responsibility and liability and is governed by the private agreement between the company and the advisors.
- The above distinction needs to be very clear as there should not be any advisory board members who could be viewed as “de facto” directors (meaning that they acted in fact as a director and therefore will be legally treated as one).



A. Important General Points

- Whereas the Board of Directors represents shareholders and holds management accountable (hierarchical), Advisory Boards provide non-binding advice that is typically given to the owners (lateral).
- An advisory board is often an initial step toward having proper corporate governance in a company.



B. Benefits of an Advisory Board

- Big picture, strategic planning input
- Broaden the universe of knowledge and skills
- Develop new ideas
- Avoid costly mistakes



B. Benefits of an Advisory Board

- Ensure orderly succession of company
- Confidential and collective feedback
- Success and sustainability rest on solid corporate governance



C. Profile of Advisory Board Members

- Skills sought: accounting or finance, sales, marketing and human resources
- Different set of experiences
- Experience in where the company wants to go
- Same value system



D. Arrangement with Advisory Board Members

- There should be 2 – 3 Advisory Board members, in addition to the Chairperson
- Covenant has prepared a “letter agreement” to govern the relationship between the client and the advisory board member



D. Arrangement with Advisory Board Members

- The agreement between the Company and the Advisory Board members will specify the compensation, commitment and mutual responsibilities
- Meetings would start with an annual meeting in person and then followed by quarterly in person meetings or via phone/Skype/GoToMeeting



E. General Related Services Provided By Covenant

- Behavioural and Organizational Strengths Assessment for proposed Advisory Board Members utilizing the Birkman Method®
- Board education re: corporate governance



E. General Related Services Provided By Covenant

- Establish parameters for Advisory Board
 - Time and effort required of members
 - Job descriptions
 - Responsibilities of Advisory Board Members
- Team-building



F. Specific Services Provided by Covenant

- “Strategic & Governance Review” to understand the background of the company, key strategic issues and priorities to be addressed by the Advisory Board
- Identify and source potential candidates
- Coordinate interview process (and any assessments necessary)



F. Specific Services Provided by Covenant

- Present the “offer” (compensation and commitment) for Advisory Board Members
- Once Advisory Board members are selected, then organize the first company meeting to get the Advisory Board off to a good start



Further Information

- For further information, please contact:
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