

Why Every Entrepreneur Needs a Board of Advisors

A business only improves when the leader improves.

By [Nigel Green](#) September 19, 2021

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When you think of boards, whether it's a board of advisors or a board of directors, you think of big companies. The prevailing wisdom is that boards are for large, established companies. But how did they get big and established?

Most entrepreneurs have big aspirations for their company, yet every entrepreneur will have seasons of struggle along the way. [Statistics show](#) that many companies don't make it longer than five years, and one of those reasons is that they don't get enough *good* advice.

Entrepreneurs are always receiving advice, but for most business leaders, the advice is bad and unsolicited. This leads to isolation, poor decision making and business failure. If you don't regularly seek advice on how to grow your company, your business will likely be a statistic. The solution is to act like a big company and hire a board of advisors.

A board of advisors is a group composed of experts that provides advice on how a business owner can better manage their company. Because of the informal nature of advisory boards, they can be structured to the entrepreneur's liking and most helpful to their company. When it comes to size, there's a sweet spot. Too few members and you diminish perspective, but too many members diminish an expert's contribution. I've found that 4-6 is ideal.

What to look for in a board member

As you assemble your board, it's important to look for experts that:

Know you, your business or industry well

Have had success growing a business

Have a perspective that's valuable to you

Are willing to commit the time and energy

Think about entrepreneurs who have had success with a similar offering to your ideal customer, who have scaled and sold a business similar to yours or who have a track

record of making anything they touch better.

Grab a call with each potential expert and ask them how they would think about your business. If the chemistry is good and the advice is sound, ask them if they would consider committing to joining your board of advisors.

Related: [4 Reasons You Should Have a Board of Advisors](#)

How to structure the agreement

Remember that this arrangement can be as formal or informal as you like. Most advisors don't expect and shouldn't require cash compensation. However, if the advisor candidate is a unique expert with deep domain knowledge, it might make sense to pay them some form of cash compensation. Incentives are typically stock-based or options. The advisor's compensation becomes more valuable as the business valuation improves. This incentive structure is well-aligned with your goals: Pay them to make you and your company better.

How to structure the commitment

Even in a less formal structure, both parties should take the commitment seriously. You need to commit to regularly scheduled meetings with each of them individually and with the board as a whole. You should commit to preparing them for the meeting with pertinent information well in advance of the meeting. The value of an advisor isn't in

reviewing your business — the value is listening to their advice. Make the meetings about their perspective. The only way to achieve this is by preparing your board well. Each board member should commit to each of the regular meetings. If they can't commit the time, then find someone else.

Stick to less than an hour of commitment for each board member every month. It's typical to have quarterly or semi-annual meetings with the entire board to go deeper on a set of opportunities or problems.

Related: [How To Create An Effective Advisory Board](#)

What to expect

It's on you, the entrepreneur, to structure the arrangement to best suit your needs. The more clearly you can define the agreement and objectives, coupled with good information for the board, the better the outcome for your business. You can expect to feel uncomfortable at first, because it's hard being vulnerable and admitting you don't have all the answers.

But there's a payoff.

The payoff is a better future for you and the business. Expect better decision making, new ideas and business models, less risk, and maybe better mental health. A business only gets better when its leader gets better. Who's making you better?

Related: [You Grew Your Startup, Now Build Your Advisory Board](#)



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