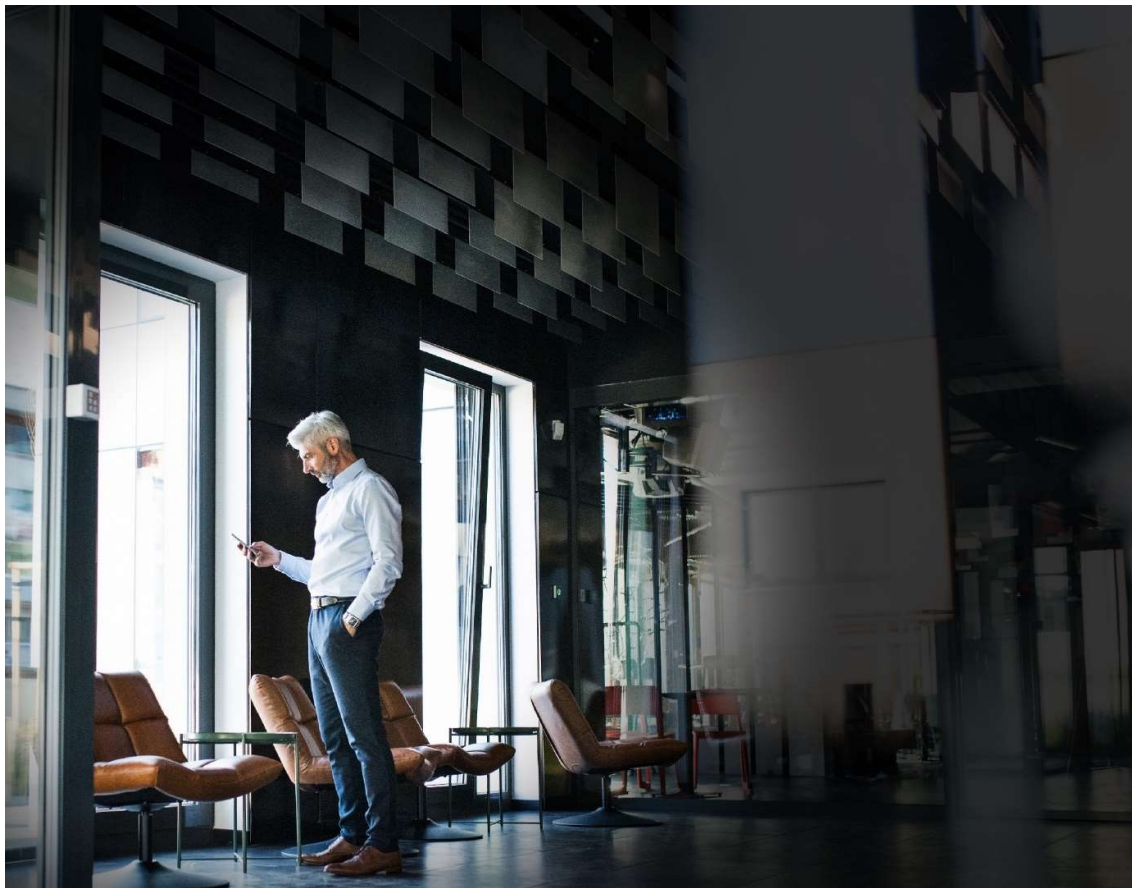


# SME's with Advisory Boards Perform Better

The emergence of a new economic infrastructure that breaks the cost-value trade-off, combined with the effects of COVID-19 leaves directors, business owners and managers facing problems outside their areas of day-to-day expertise.



## A new economic order

A new economic infrastructure is emerging that is changing how we manage, power and move economic life. The convergence of the internet-of-things with new energy and transport technologies, has allowed new entrants to systematically dismantle or reshape industries. Virtually no industry or sector is immune.

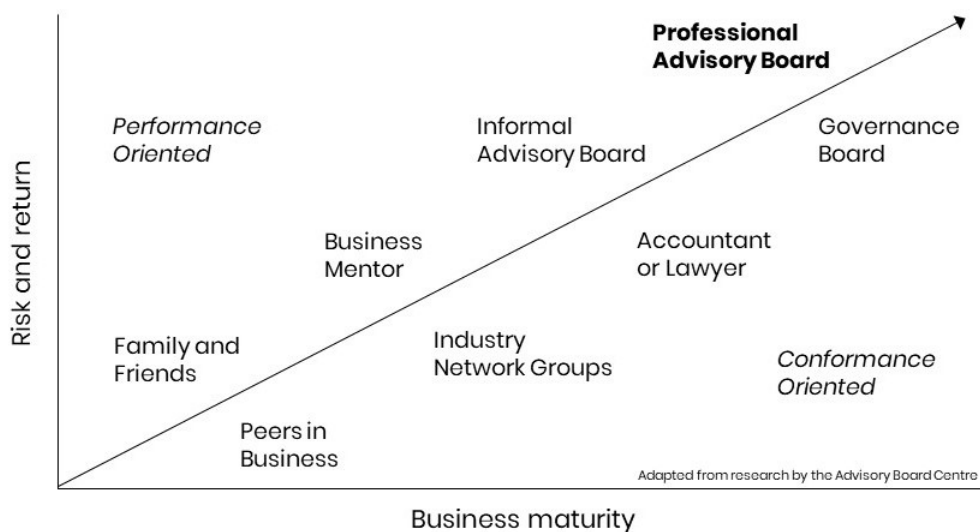
Companies plugged into this new infrastructure have broken the cost-value trade-off, relegating incumbents to the scrap heap of economic history. The economic fallout of COVID-19 will accelerate the transition towards a hybrid economy, magnify the challenges facing traditional businesses and accentuate the opportunities for these new entrants.

These changes mean directors, business owners and managers are facing problems outside their areas of day-to-day expertise.

## The advisor landscape

To broaden the universe of knowledge, skills and experience available to help solve these business problems, companies look for experts and advisors. Early in their business life cycle, they rely on the moral support of family, friends or peers in business. However, as the company grows and the risk and return attached to each decision increases, businesses often look to industry groups and business mentors for guidance.

While these are all helpful sources of advice, in our experience these sources provide general knowledge and often don't have the knowledge, skills and experience to understand the problem and provide fully informed solutions. Their casual and informal nature means they often have a short useful life.



As the organisation expands they may seek advice from their accountant or lawyer. These professionals are very capable specialists, but few have the industry expertise to advise on the holistic problems of business strategy, organisation and ownership. We see cases of professionals overstepping their line of expertise to meet the unrealistic expectations of their client.

At this stage, some companies assemble informal advisory boards to provide what they hope are solutions to these holistic business issues. The advisors always have good intentions, but frequently find the informal nature of these boards means the business problem is poorly defined, and they are poorly matched to the businesses need. Further, informal advisory board members usually work pro bono, and their own projects take priority at times when the business they are advising needs them most. In our experience, informal advisory boards peter out after 6 to 12 months having under delivered on both the company and advisor's expectations.

Believing they have reached a certain stage of business maturity, companies may move to appoint a traditional governance board of directors, believing this is their only alternative. Traditional governance boards are fiduciary appointments, usually with fixed terms. The directors become responsible for the business strategy and management execute the plan, following their guidance. Combined with the personal risks and liabilities now carried by directors, and rapidly changing markets, we find many traditional governance boards become "conformance" rather than "performance" focused - preferring to manage the downside risk rather than pursue upside opportunities. There is an alternative.

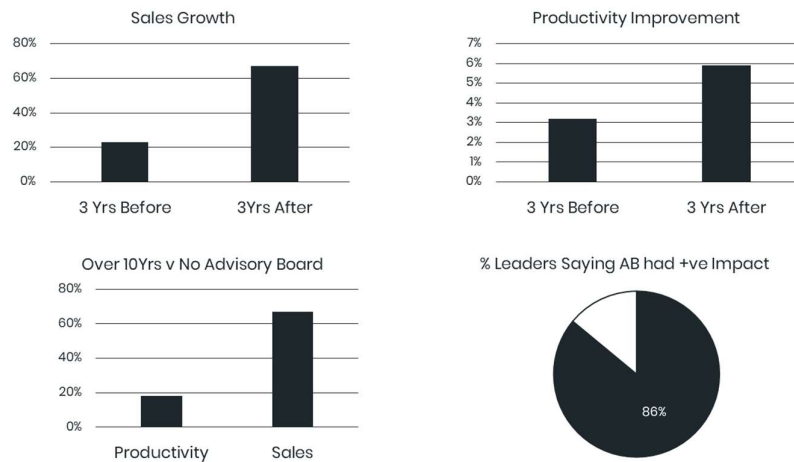
## Professional Advisory Boards

Professional advisory boards are the next evolution of governance, providing a practical, performance-oriented alternative for SMEs, and a complementary extension of capability for companies with traditional governance boards in place.

Professional advisory boards consist of company representatives, an experienced advisory board chair, and if established correctly, advisors with the knowledge skills and experience to solve the businesses specific problems. Best practice advisory boards change the advisers to address the needs of the business as they arise, allowing the business to execute a combination of informed moves that dramatically increase their probability of success.

An [independent study by BDC](#) found SMEs with advisory boards perform better in terms of sales, productivity and profitability. The study found in the three years prior to appointing an advisory board, average sales increased 23%, but in the three years following appointment, sales grew on average 67%. Similarly, the companies saw a 5.9% improvement in productivity in the three years after establishing an advisory board compared to 3.2% prior. When compared to companies that did not have advisory boards

over 10 years, companies with advisory boards had 18% higher productivity and 24% higher sales gains.



More than 80% of the business leaders who participated said having an advisory board had a significant impact on the success of their business and if they built another business, they would do it again. The business leaders said the advisory board allowed them to:

- Improve strategic business choices
- Broaden the universe of knowledge and skills
- Develop new ideas
- Put in place better management structure
- Improve company reputation and image
- Reassure shareholders and investors
- Avoid costly mistakes
- Break down the isolation of company executives
- Ensure succession of the company

Volatility, uncertainty, complexity and ambiguity are now the new normal. The effects of COVID-19 layered over the dramatic change in our economic infrastructure already underway, has only served to heighten the needs of businesses for the very best advisers they can access. Well established and managed professional advisory boards offer an untapped resource for businesses to significantly increase their probability of success.

#### Read the full BDC Study

[https://www.bdc.ca/en/Documents/analysis\\_research/bdc\\_study\\_advisory\\_boards.PDF](https://www.bdc.ca/en/Documents/analysis_research/bdc_study_advisory_boards.PDF)

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