Advisory Boards
Their relevance in a changing world
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Foreword

Advisory Boards have played a significant role in my own involvement with both the commercial and not-for-profit sectors.

Most organisations, whether large, small or entrepreneurial, feel the need for additional expertise and experience beyond that of their board and management.

An Advisory Board can be a smart and very cost effective way of achieving this as it provides an opportunity for experienced individuals to continue contributing and helping to improve the performance of a company, association, charity or government department.

Knowing how to do this and getting it right is not as easy as it may appear and requires careful planning and terms of reference. Turner Felix Associates’ detailed and insightful study provides a useful review of best practice and the pitfalls to avoid.

I commend their important contribution to the governance debate and believe it will help promote a better use and understanding of Advisory Boards in a wide range of situations.

Dame Alison Carnwath
Chair, Land Securities
Introduction

Much attention has been paid in the UK to the main board responsibilities of commercial and not-for-profit organisations. Yet Advisory Boards have received little attention.

There is increasing pressure, however, on companies and not-for-profits to still further improve their performance. Boards and management are under ever heavier regulatory and compliance burdens and in a rapidly changing world (Brexit, Data Protection, Cyber Security and digital disruption are but examples), they often have inadequate ‘band-width’ or expertise to cover all aspects of effective decision-making.

The objective of this study is to draw attention to Advisory Boards in a range of contexts, to explore their purpose and management and to examine how they can help address these challenges.

We have been able to access opinion and experience across a broad spectrum and are indebted to our distinguished panel of 41 leading executives who have spent time in face-to-face meetings, or discussions by telephone, with us to share their views and experience.

On the basis of our findings we believe that Advisory Boards will have a more important role to play in the future and we hope that our report will prove useful in stimulating debate and reflection about their function in the UK. As the Government continues its review of director responsibilities under section 172 of the Companies Act and as the Corporate Governance Code continues to evolve, especially in the context of Brexit, we conclude that the role and management of Advisory Boards could be usefully included in the Code.

Peter Felix and Paul Turner
Turner Felix Associates
Summer 2018
“MOST ORGANISATIONS, WHETHER LARGE, SMALL OR ENTREPRENEURIAL, FEEL THE NEED FOR ADDITIONAL EXPERTISE AND EXPERIENCE BEYOND THAT OF THEIR BOARD AND MANAGEMENT.”

DAME ALISON CARNWATH, CHAIR, LAND SECURITIES
Study Participants

Colin Bailey
Chair, Emmett UK Ltd.

Gordon Bajnai
Chair, Global Advisory Board, Campbell Lutyens.
Former Prime Minister of Hungary.

Sir Win Bischoff
Chair, JP Morgan EMEA, Financial Reporting Council.

Tamara Box
Managing Partner, EME, Reed Smith LLP.

Lord (Michael) Boyce
Former Chief of Defence Staff, Advisor WS Atkins Group.

Malcolm Brinded
Former Director at Shell, NED Network Rail.

Robin Budenberg
Chair, Crown Estates, Centerview Partners, NED Charity Bank.

Dame Alison Carnwath
Chair, Land Securities, NED Paccar, Evercore.

Ian Davis
Chair, Rolls-Royce, NED Johnson & Johnson, BP, Senior Partner Emeritus, McKinsey.

Mark Elborne
Former Chair GE, UK & Ireland.

Guy Elliott
Former CFO, Rio Tinto, NED Shell.

Richard Emerton
Managing Partner, Board & CEO Services Practice, EMEA, Korn Ferry.

Barry Gamble
Governance Advisor & Boudicca proxy.

Sir Peter Gershon
Chair, National Grid, Chair, Aircraft Carrier Alliance.

Andrea Gisle Joosen
NED Dixons Carphone, BillerudKorsnäs, Phoodster, ICA Gruppen AB, James Hardie, Mr Green.

Andrew Green
Chair, IG Group, Digital Catapult, President, UK Space.

Heather Hancock
Chair, Food Standards Agency, NED Rural Solutions.

Oonagh Harpur
Walgreens Boots Alliance, Advisory Panel for Sustainability, member, Independent Non Executive, KPMG UK LLP.

Noel Harwerth
Chair, UK Export Finance, NED Standard Life, LME.

Rick Haythornthwaite
Chair, Centrica, MasterCard International, QIO.IO.

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Debbie Hewitt  
Chair, Moss Bros, Visa Europe, The Restaurant Group.

Chris Kirkness  
Former Chair, Private Equity EMEA, Korn Ferry.

Paul Lester  
Chair, Essentra, Forterra, McCarthy & Stone.

Colin Matthews  

Richard Meddings  
Chair TSB, NED Deutsche Bank, Jardine Lloyd Thompson, HM Treasury.

Sir Terry Morgan  
Chair, Crossrail, London City Airports.

Dr Phil Nolan  
Chair, Affinity Water, Associated British Ports.

Sir John Parker  
Chair, Laing O’Rourke, Ombu Group, NED Airbus, Carnival.

Leo Quinn  
Group CEO, Balfour Beatty.

Paul Raby  
Group HR Director, Balfour Beatty.

Sir Gareth Rhys-Williams  
Chief Commercial Officer, UK Government.

Sir Martin Sorrell  
Founder, WPP Plc., Chair, British American Business Advisory Board.

Elisabeth Shteeman  
Senior Advisor, Bank of England, German Supervisory Boards.

Hertha von Stiegl  
Chair, Ariya Capital, Nairobi.

Martin Sullivan  
Former President & CEO, AIG Inc., Operating Partner, Lightyear Capital.

Bronwyn Syiek  
Trustee and former Chair the SETI Institute, Former President & COO, Quinstreet.

Maurice Thompson  
Former CEO Citibank UK, Chair, Greensill Capital.

Ian Tyler  
Chair, Amey Group, NED BAE Systems.

Enny van der Velden  
Chief Commercial Officer & Chair of the Board, CCV Group.

Sharon Vosmek  
CEO Astia

Ian Wright  
Chief Executive, Food and Drink Federation.
Executive Summary

Advisory Boards have been established by many organisations in response to the need for help with strategic, technical or developmental issues that may be outside the competence or experience of the board and management. They are common in the UK and USA.

They permit time and focus to be spent by top level thinkers on specific and specialist topics outside the expertise and band-width of the main board, thereby complementing main board skills and providing oversight of strategic issues of importance to the organisation.

Their role is neither proscribed nor regulated and their value varies widely dependent upon the needs of the entity in question. However, their prevalence indicates a felt need and their ability to contribute to performance.

The terms of reference, structure and function of Advisory Boards are crucial to their success. There must be clarity as to their purpose and role, how they will function and how their advice will relate to the main board and management.

The main board and management must ‘own’ the advisory board.

International Advisory Boards are able to assess foreign market potential and open doors to Government and business partners.

Advisory Boards are expanding their role to help fulfill obligations to a wider range of stakeholders such as employees, the environment and civil society.

There is a large pool of ‘post corporate’ executive talent interested and motivated to serve on Advisory Boards, without the burden of main board duties.

The benefits of a good Advisory Board far outweigh their cost.

Advisory Boards can play a critical role in not-for-profit organisations and charities where credibility and financial support are so important.

A poorly conceived or managed Advisory Board can become a millstone around the neck of the Chairman or CEO who originated it and may not outlive them.

There is a case to be made for including the creation of Advisory Boards in the UK Corporate Governance Code along with guidelines as to how they may best be established and managed.
10 Tenets for Advisory Boards

1. **Purpose**  
   Clearly define the mandate

2. **Ownership**  
   Ensure ownership by the main board and senior executives  
   List on website

3. **Composition**  
   Carefully define desired profiles and recruit accordingly

4. **Engagement**  
   Maintain regular contact and information flow with executive team

5. **Size**  
   Choose a manageable size 6-8. Probably larger if global or for a non-profit

6. **Term**  
   3 years renewable; no age limit

7. **Compensation**  
   Yes for commercial; No for non-profits

8. **Management**  
   Meetings > 4 times per year. Efficient organisation/agenda

9. **Reporting**  
   Keep minutes; expect feedback and action plans

10. **Evaluation**  
    Expect self-evaluation/annual review with Chair or CEO
Listed & Private Companies

name

As a starting point many of our participants from the commercial world felt Advisory Boards were wrongly named. They are not Boards in that they have no formal powers and no responsibility for performance or the outcomes of their advice.

“The word ‘Board’ is a misnomer in the Advisory context.”

Lord (Michael) Boyce: former Chief of Defence Staff.

This may be relevant if seeking a more aligned role and function for these bodies. Our study suggested: Advisory Council, Advisory Panel, Panel of Experts, Stakeholder Panel and Honorary Advisory Board. For the purpose of this study we have continued with the Advisory Board name.

role and purpose

The purpose and role of an Advisory Board must be clearly defined. It should be put in writing and be understood and agreed by the executives and main board and especially by the Advisory Board members themselves. It is a lack of clarity about the function of the Advisory Board and what is expected of it that can lead to confusion, embarrassment, disillusionment and failure.

“If you have clear terms of reference then Advisory Boards can be very useful in looking at big picture issues that the Board does not have time for.”

Noel Harwerth, Chair, UK Export Finance

An Advisory Board can have a role specific and restricted to a particular division or activity.
It can be a technical or scientific Advisory Board with its focus on the environment, cyber security, artificial intelligence or digitisation. Or it can advise on governmental, economic or social affairs, even acting as the conscience of the organisation.

Any and all of these roles might not only be relevant but desirable given the nature of a company and its interests on a national or global scale.

“Deutsche Bank has historically used a number of Advisory Boards, populated with influential individuals, for Europe, America and Asia Pacific. They have provided “marketing” support, opening doors for deals and mandates and provided insights into new markets.”


But careful consideration must be given to the kind of advice that can be expected and how it will be acted upon.

We found that Advisory Boards with a scientific or technical mandate were considerably easier and less costly to establish than those with a much broader remit. At Rolls-Royce and Johnson and Johnson technical Advisory Boards attached to the main industrial divisions have proved useful, whilst in other companies we have discovered specific Advisory Boards for roles as diverse as climate change (Deutsche Bank), aircraft carrier manufacture (UK Government), product evaluation/supply chain management (Walgreens/Boots Alliance, Shell) and sustainability (BHP Billiton).
“At Tate and Lyle the Research Advisory Group’s role was strategic. Management appreciated their help since it gave them access to more scientists, there only being one on the board. Thus the Advisory Board helped complement the main Board’s skills.”

Sir Peter Gershon: former Tate and Lyle Chairman and Chair, National Grid, Chair, Aircraft Carrier Alliance.

When an Advisory Board has a specific focus it is easier to define its mandate, to monitor its performance and effectiveness and in particular, to provide realistic links to management and the board. This does not mean that Advisory Boards with a more general mandate, such as International Advisory Boards, cannot have a role to play but they tend to be more challenging to organise, more expensive and less easy to justify in terms of effectiveness.

“Arguably, technology advice adds more value to companies than many other areas. A technology advisory board should cover artificial intelligence, digital and big data amongst other things. To have Advisory Board members who have leveraged technology to drive value is a big plus.”

Richard Emerton, Managing Partner, Board and CEO Services Practice EMEA, Korn Ferry.
“Advisory Boards should address specialist topics that would not otherwise receive sufficient airtime at board meetings - digital engineering, technology, cyber security, the impact of artificial intelligence and big data”.

Sir John Parker, Chair, Laing O’Rourke
ownership

It is important that an Advisory Board should be ‘owned’ by both the main board and executive management.

“The danger with Advisory Boards is that what was once energising and a great idea can become a millstone around the neck of the Chair or CEO. Sometimes they don’t outlive the person who originated them.”

Ian Davis, Chair, Rolls Royce.

‘Ownership’ can manifest itself in a number of ways. Engagement, enthusiasm, recognition, feedback and other ‘soft’ actions on behalf of the main board and executive group will contribute greatly not only to making an Advisory Board feel wanted but to extracting maximum value from it.

relations with the main board

An Advisory Board whose mandate is to provide advice or reflection across the entire company should have a relationship with at least the Chair and the CEO though not necessarily with the whole Board and need not be required to report to it, even though this might be viewed as good practice. But….

“By definition, such boards generally lack accountability and can frequently be just one more source of data for a CEO already deluged by people desperately trying to be relevant.”

Ian Tyler: Chair, Amey Group.
If the Advisory Board has a technical, divisional or regional mandate then it is only necessary that the executive or research and development management in question should relate to it.

“We are considering setting up an Advisory Board for the ventures subsidiary of one of our companies. It would be an R & D Advisory Board linking into the Executives and R&D staff but without any direct contact with the Main Board. We are considering three to five people from different fields. Probably meeting four times per year.”

Andrea Gisle Joosen, NED, BillerudKorsnäs

Because Advisory Boards do not have any proscribed or regulated role there are no specific guidelines as to how they should work or report. Thus each organisation has a free hand to design and manage Advisory Boards as they see fit.

Our research indicated that this is preferable to intervention by Governments imposing statutory rules for Advisory Boards. Nevertheless, as the UK Government takes steps towards greater representation for a broader range of stakeholders Advisory Boards could possibly assume this role. This then would require some contact with the main board, possibly via a non-executive Director or sub-committee.
responsibilities

Advisory Board members should be willing and able to help the company in practical ways and to use their expertise and influence.

Such help may extend to using their contacts by travelling to a foreign market to introduce senior management to Government or making a referral to a potential business partner. Business leads and introductions are always valuable to kick start a potential deal or service relationship. These actions should be understood as part of the role and demands of the position in order not to build expectations that cannot be fulfilled on either side.

composition and chairing

The size of an Advisory Board can vary but a good average is 6 to 8. An international Advisory Board might have 12 to 15 members in order to achieve geographical spread and critical mass at Advisory Board meetings.

There was also variance as to who should Chair the Advisory Board. Large international companies have a preference for an independent Chair, often a high profile individual who can bring gravitas and experience. Smaller companies may also have independent Chairs but there may be a requirement for closer involvement with day-to-day operations. Other options can be for the Chair of the main board or CEO to take the chair or even a Divisional or Regional Managing Director. However, each option will carry with it possible constraints on the role and management of the Advisory Board.

“The Advisory Board Chair’s role is pivotal and they should not ‘double hat’ as Chair of the statutory board. The two roles require different mind-sets and ways of approaching issues.”

Barry Gamble, Governance Advisor & Boudicca Proxy.

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Whoever takes the role of Chair it is critical that they should be proactive and able to stimulate Advisory Board members to be creative and productive. Thus the personality and drive of the Chair will be fundamental to the Board’s success. While this is true of all Boards and committees it is especially true of Advisory Boards since they function without formal structures and possess few sanctions to moderate or critique the performance of their members.

In effect the Chair can make or break an Advisory Board by the nature of his or her leadership, management of the agenda and links to the main board and executive management. An Advisory Board that operates in isolation will become a ‘talking shop’ and lose its relevance.

recruitment and selection

Because Advisory Boards have no fiduciary responsibility or formal role in corporate governance there is a risk that inadequate attention may be paid to their recruitment and selection. However, the value created by a first class Advisory Board will more than outweigh the effort or cost of recruiting them. Apart from a well defined description of the purpose and role of the Board a job specification and profile should be developed by the Chair, CEO or HR Director or by executive search consultants which focuses on expertise, balance and diversity.

“Care must be taken to recruit for the right reason, e.g. if the CEO has a poor IT Director then don’t compensate for it by bringing in an external advisor.”


When approaching potential members of the Advisory Board it is important that a clear message be communicated about time commitment and role. Senior individuals may be flattered by the initial approach but then should look carefully at what will be expected of them in terms of role, time and travel.
the advisory board member

Compensation will be the least of the motivations for joining an Advisory Board. More important will be the nature of the company, its fit with the experience and interest of the potential member, the value add they can bring and benefit they might gain from interacting with other experienced, prestigious board members.

Many will already have senior roles elsewhere, most likely non-executive, and thus may be building a portfolio of activities following full time careers. In an era when there is an enormous supply of ‘post-corporate leaders’ now entering retirement (the baby boom effect) the choice of interested candidates will be very wide and thus selection should be focused and managed carefully.

Advisory Boards will thus be an attractive option to individuals who wish to remain involved in business affairs.

“Membership of an Advisory Board could possibly lead to becoming a non-Executive Director on the main board. Non-executive positions are hard to come by and so an Advisory Board may offer additional opportunity to get to know an organisation. In any event it looks good on the CV.”

Paul Lester: Chair Essentra, Forterra

Membership of Advisory Boards also has the considerable advantage of attracting no legal liability. By contrast, in an era of heavy government regulation and compliance, the burden of fiduciary responsibility on main board directors is now considerable.

“Advisory boards are an alternative for people who don’t want to sit on boards.”

Rick Haythornthwaite, Chair, Centrica.
management

Given the likely seniority of its members, special tact and diplomacy and above all efficiency, will be necessary when arranging and running Advisory Board meetings.

A common practice is for the Company Secretary’s department to assume responsibility for scheduling and administering meetings, although the Chairman or Chief Executive’s assistant might also assist in order to keep those individuals fully involved and responsible for the overall plans and programmes.

If there is an independent Chair of the Advisory Board then he or she will want to agree the content for each meeting with the Chair or CEO and discuss the selection of appropriate speakers to present on topics of importance to the company.

On average Advisory Board meetings are limited to four per year although in the case of larger international Advisory Boards this may be only once or twice per annum. At AIG the Advisory Board met twice per annum for a dinner followed by a morning session with selected speakers and lunch, whereas at Rolls-Royce the International Advisory Board meets once per annum to meet with the company, its management and Board for a three day meeting.

Meetings should be interesting and enjoyable. At Citibank and JP Morgan the International Advisory Boards were as large as 20, with 15 or 16 attending the annual meeting that would be held in a location of strategic importance to the Bank and include spouses.

“The Advisory meeting was of such quality and significance that it offered a unique opportunity for senior executives of the Bank to listen in and to be exposed to top-level thinkers and experience.”

Sir Win Bischoff, Chair, JP Morgan EMEA.
Surprisingly, Advisory Boards have limited visibility within or outside the entities they serve. It is relatively rare to find the Advisory Board listed on a corporate website, although they may be mentioned in the Annual Report, particularly for financial institutions and service companies where the names of the Advisory Board members can bring status and credibility to the organisation.

Very few Advisory Boards issue reports either confidentially or publicly to the main board or the executive team. This may be to avoid any direct linkage to corporate decision-making for which the Board and executives must be solely responsible.

However, broader publicity of an Advisory Board’s activities may be appropriate if an organisation wants to demonstrate commitment and progress on publicly sensitive issues, such as the sustainability of its supply chains or its environmental record. Then a public panel that reports publicly on its view of the company’s performance can contribute to building trust and integrity. In this case the panel’s members would need to be clearly visible.

The Stakeholder Advisory Panel for Walgreens Boots Alliance is a case in point. It reports annually to the Board on sustainability in the supply chain and its report is published in the company’s annual corporate responsibility report.

“Each sector has its priority stakeholder issues for which it may need a stakeholder panel to advise on both current and emerging issues that might have a strategic impact on its ability to do business.”

Oonagh Harpur, Walgreens Boots Alliance, member Advisory Panel for Sustainability.

In future Advisory Boards may need to assume a broader and more visible role in stakeholder engagement and assurance as the pressure builds on companies to be more sensitive to broader social and environmental issues.
term of office and compensation

Advisory Board members should be paid, even though the range of compensation might be modest. A range of £15-30,000 was considered normal for Advisory Board members with as much as double that for the Chair. An exception was financial services companies where a member of the Advisory Board might be paid £50-75,000 and the Chair, if a well known figure, considerably more, sometimes as much as several hundred thousand pounds.

In financial services companies it is also common for Advisory Boards to be compensated not only on the basis of a retainer fee but also on an incentive basis linked to successful deal making. In one private equity case Advisory Board members were offered equity in lieu of cash and in another the opportunity to co-invest in deals alongside partners in the firm.

Terms of service for Advisory Board members should be three years, renewable for a further three years, but only beyond that in exceptional circumstances. There should be no age limit since capability and experience are not directly age related and the three year term limit will, in any event, permit an individual to be retired from the Board if they become incapable of performing effectively or less relevant to the company’s needs.

effectiveness

It is reasonable to assume that with either a narrow or broad mandate a well run Advisory Board will be of value. An introduction to Government or potential business partners may lead to significant opportunity. Inside knowledge of the political or economic conditions in a specific country may prevent costly mistakes being made.

“In my current role at Crossrail we have, for the first time, created an Advisory Board. It has been a very useful addition to corporate governance and in supporting key Executive decisions.”

Sir Terry Morgan: Chair, Crossrail.
It is likely that certain members of the Advisory Board will develop relationships and mutual respect with the Chairman or CEO such that regular advice may be sought on an informal basis outside Advisory Board meetings. The ability to ‘pick up the phone’ to obtain confidential counsel was cited as a very clear benefit.

“The return can be large – much cheaper than using management consultants e.g. when entering a new market. Advisory Boards offer a very cost effective way of gaining access to unique talent and experience.”

Martin Sullivan: Former President & CEO, AIG Inc., Operating Partner, Lightyear Capital.

The informal use of Advisory Board members in this way may be one of their main advantages. When the situation demands it is a simple matter to include an Advisory Board member in a visiting delegation, or even engage them on a project consultancy basis according to time available and, of course, additional compensation.

“Advisory Boards are most useful in new geographies or legal regimes. But they have no devolved authority. They are an inexpensive and easy way to get access where you don’t have influence.”

Dr. Phil Nolan: Chair, Associated British Ports
Where companies such as Carillion have run into trouble could an Advisory Board have offered a ‘devil’s advocate’ opinion on the financial viability of the company? Thus do boards have time to pay sufficient attention to what the markets are saying about their organisations and if not, might their Advisory Board be able to help?

“An Advisory Board is not about status, it’s about objectivity.” It can also protect the company.”

Leo Quinn: Group CEO Balfour Beatty.

**evaluation and monitoring**

A number of companies have instituted annual reviews of their Advisory Boards, either through self-evaluation or conducted by the Chair or CEO of the parent organisation.

“Citi’s executive officers would conduct annual appraisals of its Advisory Board members.”

Maurice Thompson, Former CEO Citibank UK.

Other organisations ask their Advisory Board to issue a report on its activities for the year that will then be incorporated into the Annual Report. Shell and BHP Billiton include a sustainability report from their external Advisory Board, while the Walgreens/Boots Alliance publishes the report of its stakeholder panel.
Evaluation, monitoring and reporting all contribute to the professional management of the Advisory Board. They also give its members a feeling of relevance and value. Equally, public or private shareholders will value objective and expert commentary on the activities and performance of their company, even if it extends beyond day-to-day financial performance.

**SMEs and start-ups**

Smaller, entrepreneurial companies always need capital and invariably advice and guidance. Here an Advisory Board may prove to provide greater impact than even with a larger organisation. Many successful people have accumulated not only experience during their careers but also have equity capital available that they are prepared to invest in promising ventures that coincide with their own interests. This can be an exciting form of engagement for senior people who gain enjoyment and satisfaction from helping, normally younger, people succeed in new areas of technology, service or manufacturing. This can more than outweigh the risks involved.

“I am on a number of advisory boards where we are able to surround smaller and even start-up companies with very experienced individuals who are prepared to support but do not wish to be burdened with the legal responsibility of being a board member.”

Andy Green, Chair, IG Group.

Advisory Boards can be crucial to a start-up’s success by adding credibility to the company’s proposition and business plan.
“At Astia we see how important advisory boards are to the success of start-ups. The experience and networks of the advisory board members prove an exceptional source of support and advice for the entrepreneur when fundraising and at exit, but equally at critical inflexion points along their growth path. The importance of advisory boards is even more acute for women-led companies: by forming advisory boards, female entrepreneurs are putting themselves in an elevated position to access venture capital and angel investment.”

Sharon Vosmek, CEO Astia (supporting female entrepreneurs.)

private equity companies

Advisors can assume a significant role in private equity firms but there is no room for superfluous corporate governance given the granularity and very focused nature of Private Equity.

“PE has a laser focus dispensing with all irrelevancies, equipping them to take key decisions on a timely basis.”

Chris Kirkness, Former Chair, Private Equity EMEA, Korn Ferry.

It is unlikely, therefore, that a PE firm’s operating partners will create an established Advisory Board, preferring to work on an ad hoc basis with individual advisors.

Nevertheless, as the PE market has matured there is increasing concern to ensure that operating companies are properly governed and comply with external constraints. In this respect there is a contribution to be made by Advisory Boards, perhaps at the holding company level.
Advisory Boards or their equivalents are employed extensively by the UK government. Their function can range from being an integral part of departmental governance to ad hoc structures designed to provide government with external guidance and expertise on specific topics.”

Sir Gareth Rhys Williams, Chief Commercial Officer, UK Government.

The way in which Advisory Boards are used in Government will vary considerably according to the nature of departmental remits, the specific need for external advice and the personal management initiatives of the responsible Minister. The picture is therefore complex and, inevitably, inconsistent.

At departmental level a number of ‘Boards’ have been created, largely comprised of external non-executive members, to advise the Secretary of State or relevant Minister on the department’s current agenda and development strategy. These boards are in many respects like normal commercial boards except that the Minister will assume sole nomination rights.

But other Advisory Boards may operate on a cross department basis such as The Industrial Development Advisory Board (IDAB), which advises Ministers on capital investment projects, and the new Digital Services Advisory Board which has 14 members from the private sector.

Expert panels are also used to focus technical expertise upon a particular issue. A case in point is the expert advisory panel created for the Grenfell Tower disaster. Typically, these panels only consist of three or four people who may receive a daily fee.

Although ministers and civil servants have few constraints about the choice or number of advisors, the selection and vetting process can be laborious. The practice of developing panels of experts makes good sense and allows Government to develop bench strength. An example is the group of 120 experts available to The Infrastructure and Projects Authority, which manages almost £500 billion of major construction projects across Government.
Where Government has an advantage over the private sector is that people like to serve for altruistic reasons but also for the satisfaction of being close to important national decision-making and even for the public recognition that may ensue. When considering a Government Advisory board or non-executive position, however, individuals should be careful to examine the terms of reference and powers carefully to ensure that their aspirations are likely to be met.

“Our Science Council is eminent, independent and expert. It makes a big difference on horizon scanning for new food/health risks and helps ensure we base regulatory decisions on the best science.”

Heather Hancock, Chair, Food Standards Agency.

**trade/professional associations**

Advisory Boards can be of particular value when established to support trade or business associations and professional bodies.

In these cases there is often a common purpose, which is to enhance the organisation's credibility. This can be achieved by involving the Chairman or senior partner of member companies on the Advisory Board in return for a minimal time commitment.

Once established, relationships with individual members need careful management. The ability of the association’s senior officers to pick up the phone to a member of the Advisory Board can be immensely helpful. This may be to request attendance at a function, to be an awardee or guest speaker or to ask for sponsorship help. All of these should be acceptable requests and are unlikely to be rejected by Advisory Board members, provided the requests are not too frequent and are managed with diplomacy.

An additional function may be to act as a forum for advice on professional or industry matters. Care must be taken not to subvert the role of the organisation’s main board or council. But to hear the views of industry or professional leaders can be very helpful, especially when framing policy.
“As a member of the Engineering Employers Federation Advisory Board for Brexit I am able to provide input from the Food and Drink manufacturing Industry while learning about the reactions and plans of other industry groups. This is an invaluable asset at a critical time for our own sector and the economy as a whole.”

Ian Wright, Chief Executive, Food and Drink Federation.

There need be no limit on the size of an Advisory Board for an association or professional body. British American Business, the transatlantic trade and business association, has an International Advisory Board of 95 members comprised of Chairs, CEOs, diplomats and other national leaders from both sides of the Atlantic.

“The International Advisory Board plays a unique proactive role in the leadership and direction of our organisation. Their knowledge, influence and contact networks work to the benefit of fellow BAB Corporate-level members and their companies, in the US and in the UK.”

Sir Martin Sorrell, Founder, WPP Plc, Chair, British American Business Advisory Board.
charities

Much the same purpose and role description for Advisory Boards can be applied to charities. However, here the remit is more compelling since a major part of a charity’s function must be to raise funds to support its cause as well as to further knowledge about its core activity.

In establishing Advisory Boards for charities the need for clarity is especially important. If the Advisory Board is to develop real value it is critical that the charity’s management should fully brief potential members about the challenges it faces, the potential that the Advisory Board has to make a difference and their expectations of it.

People like to be associated with charities, sometimes as a favour to the founder. However, they do not automatically link membership to an obligation to provide funds or other help. The American adage of ‘give, get or go!’ is not commonly embraced in the UK.

Thus the Advisory Board must be recruited carefully and managed with diplomacy. There must be individual commitment to help instigated by a clear ‘ask’ from the volunteer leaders or paid staff of the charity. Busy people may prefer not to attend meetings but are willing to perform a simple task like signing letters of solicitation, making a phone call to potential awardees or lending their corporate support to a function.

Our Cancer Research UK “Women of Influence” board was very carefully recruited. It is essentially an Advisory Board but is also very active in fundraising and mentoring young cancer researchers. The committee advises the main organisation on use of funds and has direct liaison with charity.”

Tamara Box, MD, Financial Services, Reed Smith.

Major giving from Advisory Board members will be based upon subjective relationships, a desire to help an organisation whose objectives align with those of the giver and a sympathy and liking for the people involved. It is very difficult to measure this form of ‘equity’ and yet it can be fundamentally important to a Charity.
While the ‘soft’ management of any Advisory Board is important, in the charity sector it is paramount. The slightest oversight, inefficiency or disregard for the sensitivities of an Advisory Board member may be sufficient for them to disengage. Unfortunately, the charity may never know why or when this happened and there are no sanctions to help in evaluating what went wrong.

With careful management a Charity Advisory Board can deliver results far beyond the capabilities of the permanent staff or even volunteer Directors.

“My faith in Advisory Boards has been restored since we initiated an Advisory Board for Charity Bank to provide clarity on what the Bank should be providing to clients, to review the future of the charity sector and help us develop strategy.”

Robin Budenberg, NED, Charity Bank.
The UK Corporate Governance Code

Given that Advisory Boards are being adopted by more and more organisations in the UK - commercial, not-for-profit, large and small they are becoming an informal feature of corporate governance and are recognised more broadly as being of value. They can, therefore, be regarded as legitimate complementary bodies that enhance an organisation’s ability to manage itself with prudence, far sightedness and specialist knowledge.

Their use is justified and rationalised by the increasing need for main boards and executive management to find time, beyond day-to-day issues, regulatory and governance dictates, to consider more deeply strategic issues such as new market entry, technology developments and even reputation and investor relations.

As the UK Government and Financial Reporting Council continue their review of Directors’ responsibilities there is a case to be made that the Corporate Governance Code should include reference to Advisory Boards as a worthwhile and legitimate addition to corporate structures. Such guidance need not be proscriptive and could contain suggestions as to how best to set up and manage such Boards. However, as in other examples of best practice in the UK (increasing the number of women on boards being one example) suggestion and voluntary compliance can often lead to improved performance as opposed to the use of legislative constraints such as quotas or Supervisory Boards in some Continental European countries.

Such guidance would apply most appropriately to public and large private companies but could equally be borrowed by the not-for-profit sector.
Summary and Conclusion

The notion of an Advisory Board for both commercial and non-profit organisations is not new. However, their significance seems to be growing as boards of directors and management seek ways of improving performance and responding to a fast changing environment.

Because of their structure and composition Advisory Boards can address major trends and issues of relevance, provide contacts and door opening and bring credibility and gravitas to a company, association, charity or government body. Properly established and managed the benefits of an Advisory Board should greatly outweigh their cost and time commitment. If poorly conceived and managed Advisory Boards can be a frustration for both the members and the management that created it.

Now is a good time to recruit talented people for Advisory Boards given the relative scarcity of non-executive directorships and the large supply of experienced executives who wish to remain engaged post-retirement. It is an effective way to access resources that might otherwise be difficult to afford.

Many people will join Advisory Boards if they see that others whom they respect have joined and will look upon membership of the Board as a useful networking opportunity allowing them to stay in touch with business, economic and social developments.

As the corporate governance landscape changes and there is more pressure to respond to obligations to society, employees and the environment so Advisory Boards may be used to assist the Board with these issues, not only keeping them informed but assuming a devil’s advocate role or conscience for the organization. The UK Government is currently reviewing these obligations in the context of the UK Corporate Governance Code.

We have been impressed by the range and effectiveness of Advisory Boards in a diverse range of contexts. They are a plausible and valuable addition to any organisation and are worthy of review by all boards of directors that are concerned to improve their performance.

We recommend that Advisory Boards be added to the UK’s Corporate Governance Code along with guidelines as to how they may be best used and managed. The 10 tenets for best practice we hope will help in this regard.

We are most grateful to our interviewees for their insights and contribution to our study.
Questions to consider when establishing an Advisory Board

1. What is the purpose of the Advisory Board and what should be its mandate?
2. How should it relate to the main board and executive management?
3. Who, and how many, should belong to it and how should they be recruited?
4. Who should Chair it?
5. How often should it meet and who should establish the agenda?
6. How should the performance and contribution of the Advisory Board be evaluated and monitored?
7. Should the members be paid or incentivised in other ways?
8. Should there be limits on terms of office?
9. Should the existence of the board be promoted externally?
Peter M Felix

A former executive search consultant Peter was a Partner in Whitehead Mann and Hanover Partners, in London, New York and Hong Kong, before becoming full-time President of the British – American Chamber of Commerce (now British American Business) and later the global Association of Executive Search Consultants.

In his early career Peter served as Vice President of Human Resources for the Bendix Corporation in Paris, as a management consultant in Algeria for Sonatrach and as Manager of Marketing Practices for IBM in the UK. He served with Voluntary Service Overseas in Bangladesh.

Peter has a track record of transformation and successful board management in organisations with diverse stakeholders. He has developed and served on Advisory Boards on both sides of the Atlantic. He is a career counsellor at the London Business School and a development advisor to the Scientific Exploration Society and Books Beyond Words, a learning disability charity. He has an MBA from INSEAD and was awarded the CBE in 1992 for services to British Commercial Interests.

Paul Turner

Previously an executive search consultant, Paul was a Partner in three leading international search firms: GKR, where he became Managing Partner, Whitehead Mann and Korn Ferry International.

Acting for industrial clients with a focus on Board issues, Paul has consulted to Chairs and CEO’s across a wide range of industries, quoted and privately held.

In addition to executive search he has provided Talent Management and Succession Planning advice and facilitated Thought Leadership initiatives that have included Corporate Governance, Directors’ responsibilities and Board effectiveness.

Earlier in his career Paul spent ten years as an Army officer undertaking a variety of assignments, culminating in his appointment as personal staff officer to an Army Board General at the Ministry of Defence.
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