# Boards of Advisors
## A Growth Path for Small and Medium Enterprises

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Boards of Advisors (BOA) provide a strategic advantage for small and medium enterprises (SMEs) and start-ups. By law, every incorporated company must have a director(s), but many SMEs under-use their board of directors. It's risky to be a member of a board of directors because of the legal responsibilities of a director, even with the availability of board member insurance. People on BOAs face little potential risk since they are not legal members. BOAs make nonbinding recommendations only, yet they provide many of the benefits of a legal board. A BOA can help restart your business, increase sales, solve problems, and act as a sounding board, providing impartial advice.

Let me provide an example: I sat on the BOA for a midsize company which was put into a situation by its principal lender, resulting in a demand to pay off all debts within a certain time period, making it essential to find cash and refinance the debt. The BOA met weekly (3 board members, 2 owners, and the CEO), and we talked frequently. The task in front of us was to save the company by finding new financing. We started by selling assets and restructuring the company. We found a financial institution that would provide new debt and a revolving operating account. We did a strategic plan for the future and the company is still prospering. The BOA was an impartial advisor in the process, especially when it came to closings and letting employees go. Mind you, things don't often get this critical.

The BOA provides a forum of impartial experts, which is important for the SME's strategy and long term goals. The BOA can fill in gaps in expertise and networks. There are many critical steps in the growth of a new company, including new financing (debt or equity), succession/hiring of senior people, and pivoting to a new field (risk assessment). The BOA is invaluable in tackling these issues. Here is an example of where a BOA would have been helpful. A small high tech company received an offer from a larger company to purchase the high tech company. This is a good issue to have, but it is also a complex one. An impartial BOA, already familiar with the finances, intellectual property, strategic plan, and goals of the owner, would have been helpful in this situation, especially an advisor who had been through an acquisition, who could lead a discussion of the key issues involved, and who could help evaluate the offer to purchase.

Despite the benefits, few SMEs have a BOA. A study by the Business Development Bank of Canada estimated that only 6% of Canadian SMEs have BOAs. Also, they found that 86% of companies with BOAs felt that the BOA had made a significant impact on the company. They found that companies with BOAs had a 20% higher increase in revenue over 3 years than companies without BOAs. (Disclosure: I was a subject expert for the BDC study.)

What does a BOA look like? Usually, it is comprised of 3 persons from the company and 3 outsiders, who must be impartial, meaning that your accountant and lawyer should not be on the BOA. Meeting times vary from quarterly to monthly. The BOA is an informal group of experts, experienced in diverse fields, who are there to help with impartial advice.

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