

FINANCIAL POST

FP ENTREPRENEUR

2011: The Year
of the Entrepreneur

Seeking a little help from your friends



Francois Gand, founder of AdVideo.

Dave Chidley/National Post

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When The Beatles recorded *With a Little Help from My Friends* in 1967, they didn't have entrepreneurs in mind. But while the term "advisory boards" is often tossed around entrepreneurial circles with little regard to its meaning or purpose, a little help from friends can provide the foundation upon which a structurally sound business is built.

Complicating matters, however, is that entrepreneurs commonly do not know what makes a good advisory board member, where to find one, how to convince him or her to join or even what purpose that member might serve.

Truth is, board members are usually little more than a haphazard mishmash of lifelong companions and confidants there to provide the benefit of their experience, or simply to act as a sounding board for a small business owner.

“The value of an advisory board is so huge,” said Kevin Blanchette, a member of the board of several firms and a longtime angel investor. “It’s immeasurable because you can almost stand on their shoulders to get a vision you could never possibly acquire through a monetary relationship.”

“One of the first things I always do whenever I’m working with a private company and I’m thinking of investing is phone the advisor panel.

“Even angel investors are asking, ‘Who is on your advisory board? I want to talk to them,’ ” he said.

Misconceptions surrounding the idea of an advisory board being the public face of a startup has led many entrepreneurs to seek out high profile board members unnecessarily, Mr. Blanchette said.

High profile startups such as the mobile payment provider Square Inc., founded by Twitter Inc. co-founder Jack Dorsey, bringing on such high profile people as former U.S. Treasury Secretary Larry Summers or actress Alyssa Milano to its board only serves to perpetuate the wrong kind of advice, Mr. Blanchette said.

“Unfortunately, companies tend to look at advisors with a name, but my advice has always been if you’re going to get an advisory board, make sure they’re going to be active and involved and bring something to the table,” he added.

“Because without that, then they are just a name.”

The best type of advisor is one who can provide another perspective than the one likely shared by the company’s executives, said Rob Mitchell, professor of entrepreneurship at the University of Western Ontario’s Richard Ivey School of Business.

“Someone who, for whatever the case may be, is looking at the world very differently,” he said. But even before finding the people, he recommends knowing what kind of people you are looking for, which means evaluating your needs and strengths.

It is almost instinct to look for potential advisors who have succeeded in the same industry in which a given business operates. Although the risks inherent in such a choice are as great as they are obvious.

“The more industry experience [an advisor] has the more dangerous it is,” said Brad Cherniak, a partner at Toronto-based advisory firm Sapiient Capital Partners.

“They’re either going to screw you or they’re going to think you’re out to screw them, so it kind of shuts down debate.”

With those warnings top of mind, Vancouver-based biotech firm Algae Biosciences Corp. – which has long counted Mr. Blanchette among its board members – sought out Mark Edwards to serve as an advisory. Not exactly a recognizable name in popular press, he certainly has plenty to bring to the company. He has written a total of nine books on algae in the four decades since he left the U.S. Naval Academy, where he studied under Jacques Cousteau.

“I know most of the industry, I know the people and I certainly know the technology,” Mr. Edwards explained.

Algae was in many ways lucky to get Mr. Edwards, helped by a longstanding friendship between himself and its chief executive Andrew Ayers. But other startup owners looking to find the ideal advisor have much more pavement pounding to do, Prof. Mitchell said.

“Building a network of people and engaging in relationships helps,” he said. “Not necessarily opportunistically, but actually going out and swapping some information and planting the seeds when there is nothing on the table.”

Mr. Cherniak agrees treating everyone you meet as a potential advisor is likely a smart bet, as one never knows when a connection will bloom into something more.

“You might strike up a friendship with the guy across your backyard fence who happened to have run a company and the next thing you know the guy is helping you out and taking you under his wing,” Mr. Cherniak said. “Frankly, those are the kinds of situations that often work best, it is just pure needle in a haystack, pure serendipity.”

“The problem is, you’re not always going to stumble into that kind of situation,” he added.

Wherever they might be found, the importance of having an advisory board cannot be overstated as the purpose they serve can often be molded to meet a startup’s unique needs.

“That is the neat thing about it,” said Prof. Mitchell. “The advisory board can serve different roles as the company moves forward.”

One of the key uses of an advisory board is simply to assess risk, Mr. Edwards said.

“Risk is really key to a startup. So often small businesses fail because there were risks that they simply did not know about.”

Sometimes, even just having a particular advisor in the room can prove advantageous. Such was the case for Francois Gand, founding chair of Waterloo, Ont.-based Internet advertising firm AdVideo Inc.

“When we meet with executives, one of my advisors will usually come in and give us a hand,” Mr. Gand said. “We have a former Miss World contestant and she was a government auditor before; very interesting person, very social and obviously very beautiful so she has the ability to be very powerful in a social networking type of environment.”

“It is pretty amazing what [advisors] can do,” he said.

All other reasons aside, perhaps it is the validation provided by having an authoritative and valuable advisor join your startup that makes having them worthwhile. Because for them to agree to devote their time and effort in exchange for little or often zero financial reward, an advisor must truly believe in a business’s chance of succeeding in or even completely disrupting the market.

“What if you’ve asked 10 people [to join your advisory board] and they’ve all said no?” Prof. Mitchell said.

“They might be giving you some good advice.”