Webinar Transcript
Advisory boards : The board you always wanted

So hi, everybody. Welcome to our governance made easy webinar today titled advisory boards, the boards you always wanted. Sorry. Sorry.

The board you always wanted. Today, we're having a discussion with our special guest, Craig Richardson, CEO of Crane, along with Stephen Bowman and Julie Garland McClellan on the discussion panel. My name's Sean McDonald, and I shall be your moderator for the next forty five odd minutes. Firstly, thank you, as always for attending today.

We always appreciate the effort you make to be here for our live events.

And during the session, if you have any questions for Craig or the panel, please try and use the q and a button on your toolbar as against the chat. It just enables us to keep track of them all, and we'll be answering as many of these questions as we have time for. And finally, if you stay through till the end, which, of course, we hope you will do and as is customary for our webinars, we have a special treat for you. By answering a really quick one minute survey at the end of the webinar, you'll go in the draw to win our gift hamper worth over four hundred dollars.

The winner, will be announced, it'll be tomorrow morning now.

So for those of you not too familiar with Board Pro, we are a board software provider sometimes called a board portal, and we have just over thirty thousand users around the world.

We enable organizations to prepare for and run their board meetings more efficiently and effectively with, you guessed it, clever software, which is ours, with less time and deliver more impact and value for the organization.

And as much as we are a board software provider, part of our wider mission is to make the fundamentals of governance free and easy to implement for all organizations, especially those with resource constraints.

In these free webinars and the many templates, guides, and white papers on the BoardPro resource page are a great tangible example of how we look to achieve our mission for nonprofits and small businesses around the world.

Now the slides from today along with the transcript of the webinar will be sent to you tomorrow morning. So, that'll be via email, obviously. So just relax and listen and ask as many questions as you would like.

So without further ado, I am going to hand over to our team to introduce themselves starting with Craig yourself.

Thanks, Sean. My name is Craig Richardson. I'm the CEO of of Crane. Like I said, I have a a background as a CEO, a CFO, nonexecutive director, and now largely specialize in designing, establishing, and managing professional advisory boards, mostly in the small to mid market segments. So for companies really between a million dollars of revenue and up to a couple hundred million dollars of revenue.

Thanks, Steve. Sorry, Craig. Over to you, Steve.

Hi, everyone. Steve Bowman from Conscious Governance. I've been involved with boards and CEOs since, you know, I was a wee lad.

Been chair and, you know, director and CEO of all sorts of organizations over the years and primarily now working with organizations to help them understand that they're there to make choices and actually create the future for the communities they serve. So, looking forward to this discussion. Julie.

Hi. I'm Julie Garland McClellan, and Steven was, of course, a wee boy just last week.

But you possibly know me already as the person who publishes the director's dilemma, which is a free newsletter based on practical case studies.

If you don't know it, please, link to me, and I will get you onto the subscription.

And like my co panelists, I've been on and around boards now for over thirty years and just love the whole team based governance approach. So really looking forward to talking advisory boards this morning.

Over to you, Craig.

Thanks, Sean. We've got quite a bit to get through, so I'm just gonna launch into it. As I mentioned, we specialize in designing, establishing, and managing professional advisory boards. We've done around about two hundred and fifty over the course of the last seven years.

And, typically, companies that, we work with come to us at fairly predictable make or break stages in their life cycle.

They're either in startup phase.

They're frustrated by the lack of progress or growth. They might be seeing or being able to deliver.

They realize there's some untapped potential in their business. They're just not quite sure how that they can extract that, or maybe they're in the exit phase, or transitioning to the next generation of of business owners.

What we know is, what we've found over a period of time is that there's three steps that are really important to establishing a highly effective advisory board.

And and an advisory board, which I'm going to talk to later in presentation, is an alternative, and also complimentary to what you'd probably consider a traditional government's board of directors.

So they they work very well together, and they can work, well separately.

We've found that there's three steps. The first two steps, are really precursors to setting up, a well designed and highly effective advisory board. So I'm gonna go through the three steps.

We've obviously spent a lot of time refining these. You can DIY your way through this process, so I'm gonna share everything you kind of need to know.

And as best I can, I'll share, I guess, the traps for for new players or young players in terms of the things that you might wanna keep an eye out for and the experience that we've had over the last seven years in identifying what those issues are.

So the first step really is that, understanding the strategy and breaking it up into a number of moves the business is going to make. And the way we think about strategy is understanding sort of what you have in your business as well as how you're going to play and how you're going to win. And in particular, in terms of establishing advisory boards, it's really critical that that strategy is clear, and it's broken up into a number of moves because we design advisory boards with a view to executing each of those moves in the right combination and sequence to deliver your business outcome. So that'll become, increasingly obvious as we get, further in the presentation.

But being clear about your objectives of the business upfront is a critical first step. Second step is really around building the capability to execute that strategy, And we find in many of the businesses that we deal with, being deliberate about that is absolutely key. Being deliberate about building problem solving capability in your business, and organizing that in a way that you can execute in your strategy is key, and it's the residual knowledge, skills, and experience that you need to move faster and, move further up, profitability curve, which we'll talk about at the moment, which is the key where your adviser board can add a lot of value. And then the last stage is designing and establishing that advisory board to deliver on, the outcomes you want as a business. So those are the three steps, and we've broken up this presentation into those three steps. Thanks, Sean.

The first diagram, I'll just sort of share with you, and I guess it's sort of an uncomfortable truth but an important concept.

So this is a curve which is called a profit power curve or economic profit power curve. It's based on research by McKinsey, but it's also been proven in the smaller mid market as well. And and the uncomfortable truth is that most businesses make almost no economic profit. Now economic profit is simply taking your accounting profit and taking off a charge for or capital charge for the investment that that you make or the investment that you've made in your business. And if we map along the bottom of, this diagram, if we map the profit profitability of all businesses in your segment or your market or your region, then this distribution curve happens in all industries over time and all markets over time. You'll see a line through the middle which shows that they're either profitable or unprofitable, and and the maths always works out in this way over time.

Twenty percent of companies suffer deep economic loss over time. Sixty percent of the companies return just two percent above their cost of capital, so they're they they spend all this time and effort in building their business.

But the next, best alternative of investing their money, would have been could have been better in many cases.

And twenty percent of companies, so one in five, virtually take all the profit, so ninety percent of the profit, and fifty percent of the new capital that's available in their market.

And in many markets, those one in five, so that twenty percent, they're thirty times more profitable than that mass in the middle.

So the winners don't take all in every market, but over time, they take most. And it's important you understand that because when we talk about advisory boards, advisory boards are fundamentally about moving you up this profit curve to the right and doing it in a very very deliberate and sequenced way so that you can outperform market forces.

So movement up that profit curve is quite difficult. And in fact, if you look over time, about eighty percent of companies stay in the middle of that curve and they don't move over time. About fourteen percent fall off and suffer economic loss, and only eight percent move up into that upper quintile. So what that means is your strategy needs to be twelve times better than all other strategies in your market, and that's that's difficult and complicated.

Thanks, Sean. Next slide. So how do you move up the curve? Well, research shows that there's about ten really important levers you can pull as a business to move up that profit curve over time and outperform the market. And you can really divide them into three groups.

The first one is endowments, the second one is trends, and the third one is big moves.

What you start with is really important in your business, and the levers that are most important in terms of moving you up that profit curve are basically your size and revenue relative to your your market, your competitors in the market, your debt or, leveraged, position, and also your past investment in r and d. Of course, there's lots of things that are important in companies, in terms of their starting position up that curve, but those are the three that research shows is most important.

However, if you start with great endowments, that's an excellent start. If you start with poor endowments, this is not the end of the world because as it turns out, they're only about thirty percent of the leverage or the power you need to move up that curve. In other words, you can have poor endowments, but if trends and big moves that you make are in your favor, those are still some sufficient leverage for you to move up the curve.

The second group in terms of moving up that power curve are trends, and there's really two groups of trends. There's a geographic trend, so the in economic trends in your industry, which can either push you forward or, create headwinds.

But most importantly, it's your industry trends. So if you're in an industry that has high levels of growth, still in high levels of growth, then that is actually the strongest lever of these ten, but it's one that's not necessarily enduring. So trends obviously usually have a life cycle.

If you have strong trends in your favor, that's great. But, again, they're only about twenty five percent of the power you need to move up that curve in terms of what research shows.

So what matters most actually in terms of the strategy execute is the combination of these five moves you make at the bottom.

One is around mergers and acquisitions, so making a sequence of mergers and acquisition that allow you to grow very quickly and take market share if you like.

So that is one move you can make. One is reallocating resources from underperforming parts of your business to better performing parts of your business and doing that with relatively high levels of conviction. So we're not talking about moving ten or twelve percent of your resources. We're talking about moving more than half your resources over time.

The third one is about overinvesting in capital ahead of the market. In fact, you're gonna have to invest about twice as much as your competitors.

The third one is doing more with less, so productivity or less less with the or more with the same.

And if you're gonna do that, you're gonna have to be in the top thirty percent in terms of productivity in your particular market every year, year on year. And then the third one is creating a position of difference or a point of difference in your market, which means the gross margin you can make is in the top thirty percent of your sector as well. And as it turns out, it's not one of these that make a difference, but it's a combination and sequence of these, and your probability of moving up that curve increased dramatically by the number of moves you make. If you make one move, it's data shows that you're about eight percent likely to move into that upper quintile.

If you make a combination of two moves in relatively short succession with high levels of conviction around how you do it, then you're about twenty percent. And best practice is to make three of these moves in combination of the sequence over a period of five to ten years, which gives you about a fifty percent chance of moving up into that upper quintile of performance.

And those are the companies it's the companies that the data shows that are able to do that and execute successfully that, make increasingly, faster and, more significant steps up that curve. So the important thing just to understand here is that it's the combination and sequence, because with the combination and sequence of these big moves comes a number of problems that businesses have to address. And as time moves on, as you move up that curve, high level problems create complexity.

So why is it or what stops all companies making these big moves? If we understand what you should do and the data shows what you should do, why don't all companies do it? Well, it's not as simple as it looks. All of us would all be doing it.

So big moves take time.

Time introduces variability.

Variability causes complexity, and it's complexity that causes the need to solve these more, these higher level problems. And if you sort of take a simple a to b, you think a strategy is really moving from point a to point b, that's what businesses do.

Then a simple move from point a to point b, one on this, which could be a marketing campaign that goes for a year, executing that marketing campaign probably doesn't have a lot of unknowns or variables in it. It's a relatively short time period.

But if you were the CEO trying to execute a move from point a to point b two over ten years, allocating resources, creating points of difference, focusing on productivity, maybe buying and selling businesses. There's a lot of variables in here, and over time or time increases variability.

So a key component here is to understand that time is really a proxy for complexity, and big moves take time. So nothing really happens of significance in my view, and businesses certainly establish industries in under three years. And so what that means in most business, there's increasingly high levels of complexity if they, make high conviction moves in strategy to to, move up that curve. Thanks, Sean.

So in our experience, the rate limiting factor or the thing that constrains businesses from moving up that curve is their ability to, solve higher level problems as time moves on and as they execute their strategy. And there's really four components to solving problems.

The first is your sort of theoretical knowledge or understanding of of, of of issues.

The second one is how you apply that and build experiences of business. So apply that knowledge and theory and and build, build experiences or or create experiences to apply it. The third one is taking that experiences and building it into repeatable skills.

And the fourth one is spending time and deliberately reflecting on what's working and not working in your business.

And one of the real challenges that we find with the traditional governance model, which, by the way, I am on, traditional governance boards, and they they absolutely serve a very important purposes purpose. But one of the increasing challenges we see in the current environment with the way traditional governance boards are established and operate is that there's there's high levels of theoretical understanding, but it's increasingly difficult for boards to have both the experience, skills, and the points and time for reflection on those issues that allows the business to solve many of these emerging problems.

And and so that is a fundamental difference in terms of how you might think about using a traditional board versus an advisory board, which we'll get to in a moment. But an important part here is that advisory boards give you and should extend your ability to solve problems much quicker in your business and more complicated problems as you move up the curve.

Thanks, Sean. Next slide. So what we find is through our observations, and as I said, we've done about two hundred and fifty companies where we've worked with to, both with their boards and their management teams. And in many cases, the directors are also the business owners. So there's, a much closer, connection there. Is that their directors and managers, they're increasingly facing, problems that are outside their day to day areas of expertise.

And this little sort of diagram here maybe share shares that in a little bit more detail. So most businesses understand, or, deal in known knowns, things they understand, things they're aware of. So there are things that they can actually put their hand on, understand, and address.

The real problem, and in fact, the real opportunity, is in understanding the unknowns. So, being able to accommodate and see things that they're not yet aware of, but they would understand and could solve if they were aware of them or things that they, not aware of. So I do understand, but but don't really have visibility of. And so if you sort of think of this matrix, the way that, our view is traditionally governance boards in many cases, particularly in small and mid market companies, are constructed is really around the known knowns.

They recruit and design their traditional governance board around known knowns, and and we think there's a massive opportunity. And we see this time and time again of building an advisory board and, in particular, the way we construct them, and cycle through them to deal with the things that they don't know and they don't understand and they need to be aware of. So that is a fundamental strength of the, advisory board model. Thanks, Sean.

Next slide.

So how do we lift the sort of collective awareness and understanding and problem solving capability of a business to move faster to move faster up that curve? Well, the secret is really in how you build the problem solving capability within your organization.

So this, again, is a precursor, we believe in finding our experience to establish and designing the advisory board is how do you figure out what the cognitive need of your strategy is, the critical things that you need to be able to do within your organization to execute the plan, and how do you build that problem solving capability?

And in our experience, it's largely how you, organize and build that capability, is, a precursor to designing your advisory board. So next slide. Thanks, Sean. So this is a bit of a disclaimer, so I don't offend anybody before I go onto the next slide.

But but the reality is we're all equal as humans, and we like to believe in, that we're all equal as humans, but it is but we are not equal when it comes to solving problems.

Next slide. Thanks, Sean. We all have different life skills, experiences, both in business, in family, at home, and socially, which make us expert at solving particular problems.

And so the world is sort of organized around solving problems as a hierarchy. And if you think about it, there's you, there's your family, within your or your family as part of a community. Your community as part of a a country and a state, and this and the country as part of, obviously, a global sort of networking community. And and if you think about how everything is organized, it's organized in that way so that high level problems can be solved much easier.

And organizations operate the same. In fact, strategy operates the same. So the way organizations, operate as a hierarchy is in, we believe, these seven levels.

And each person or each role within an organization is responsible for contributing to the value and progress of the organization by solving problems at their level. So this is not personal. It's not about people. It's about capability of problem solving.

At level one, we have frontline staff, and they improve the performance of the business by improving the ways that they operate. But their time frames are maybe one to ninety days in terms of the contribution they make and the improvement they make in terms of they can cycle through and solve problems quickly within one to ninety days.

A team manager solves problems within a current system, and they're organizing and optimizing the people and resources they have within the current system.

Could take three to twelve months to optimize that in terms of the cycle. Once you go up to a functional manager, maybe managing sales or marketing, their job, really, in your organization is to redesign the functional performance, better marketing, better sales. But within that sort of, relatively narrow function, that can take one to two years to really optimize.

By the time you get to level four, and these roles can have different titles in different organizations, then you're starting to organize cross function to optimize the profitability of the business.

And so you're organizing sales, marketing, operations, maybe customer service, finance, and HR. The person who occupies that position is reallocating resources and making decisions to optimize across those to, get the best profitability for the business. That is an increasingly complex task, decisions that need to be made, time to implement, and time to get results.

And what we find is most organizations that come to us are pretty good at level one through to four, and and and but what they're not doing is operating at level five. And if we go back to our profit curve and think about that, then our profit curve, to move up that curve, you have to be able to address and outcompete the market, which means you must be able to operate at level five. That means you must have an understanding of how you compete relative to your, the rest of the market. That is a five to seven year problem, and the real issue with that is it is incredibly complex to do. So here in the sort of, our experience, you build the capability in your organization up to level four, and you can leverage the power and experience of advisory boards to help you with level five and level six understanding. And that is what really helps shift you up the curve.

Next question. Thanks. Or next slide. Thanks, Sean. So we don't have time today, but if you really wanna look at, someone who's become an expert in both organizing problem solving capability and solving high level problems, Elon Musk is just exceptional at it if you study the way he does it. So he's mastered the problem solving process. In fact, the problem solving process he uses is probably what most of us were taught in, grade seven chemistry.

He follows the scientific method, which has about seven steps, which cycles through coming up with a thesis, researching it, proving it's right or wrong, and building through this learning cycle.

He operates at level seven or level eight, but what he's done is had as an organization that he's moved across, Tesla or across, his, x, across, Starlink and all these. That's the same team that is very capable at solving the problems at different levels.

And then the other thing he's been particularly good at is executing as many of these decisions and making as many of these moves within the envelope or the bounds of what his organization is capable of doing. So we don't have time to do that today, but we can, we could talk about that maybe in the future.

So once you understand the problem solving cape the problems you are trying to solve, the moves you're trying to make, once you understand the problem and capability solving capability you have within your organization, then you understand how you should design and establish and manage your advisory board to, help you move further up that curve. So your internal capability will help you move at speed. Your external or your advisory board can help you move in distance. Did you have a question, Julie?

We've got a couple of questions just to come up in the q and a. Yeah. And the first one from anonymous is, is there a shorter time frame for the growth curve and management sequence for a service industry where you're dealing with people rather than for a manufacturing industry?

Good question. I think you can make, moves faster.

A lot of it depends on the industry you're in. So if you're an industry where trends are in your favor and you've got very strong winds behind you, I think you can move faster.

However, remember, the the full market benefits from that, and you've gotta outpace and defy the market. So in my experience, yes, you can make moves faster, but sustaining those with high conviction and making sure that you make a combination.

Making one acquisition is not gonna get you over the line. You'll have to make a combination of four or five acquisitions.

Creating one point of difference is not gonna get your cost aligned. You're gonna have to continue to create points of difference over time.

And the difficulty with service industries is everyone can copy It run quickly.

Quickly. Second question from On Ben David, who's wondering how you apply the presented principles to not for profits that aren't dollar making profit generating organizations or, in professional organizations.

Yeah. Good question. I've done both.

And the advisory board model works particularly well in, in not for profits, but you have to be very clear on what the objectives are of the organization.

I guess I'm using the single objective here of improving profitability as an outcome of these steps, but being very clear about what the objectives of the not for profit, would be, you can still have, achieve the same outcomes.

So I think one of the things here, Craig, is that they're not mutually exclusive. So your governance board, but then many, many not for profits set up things called councils, for example, which are quasi, advisory boards, but they've less like, they've lost their way. They've they've become too insular. Rather than looking at we're here to solve some of these intractable problems, to actually assist the board, to actually create the future. So I think particularly in the nonprofit sector, if we start to look at how we structure some of our advisory boards, how we structure some of our councils, whatever you might call it, some of them call them membership advisory councils, there's all sorts of different names for them. But the the thing that's really stood out to me in this so far, Craig, is they're there to solve problems.

And if you've got a if you understand what those one or two key problems are to be solved, you've got a really powerful advisory committee, board, council, whatever it might be. Other than we're here and, unfortunately, sat in so so often in not for profits, you know, we need to have a whole lot of representative people so they feel they've got a voice voice for what, though?

So So hold that thought hold that thought, Steve, because when you when we when I get to how we assemble advisory boards and the life cycle of the advisory board, I think it'll be more relevant in terms of not for profits and how they, how they think about themselves.

So without wanting to offend anyone, I I I find in some cases, not for profits, the the the people on their boards, they're, very well meaning, but but they're for too long.

There's no fixed life cycle, and there's no focus on on solving a sequence of problems. So not wanting to offend anyone, of of course. So, let me move on because I think maybe we'll get to the the guts of this in a moment. So, the third stage, and here's where you can really leverage an advisory board, is using advisory board to understand the things you don't understand or make you aware of the things you may not be aware of. It's okay, Sean. You could've stayed on that one while we're getting to that slide straight away.

So, in in a key part of, the advisory board and and setting up an advisory board so, a key part of setting up an advisory board is is how you design it, and and in particular, with an objective shifting the odds of success in your favor, and that's relevant across, whether you're not for profit or for profit.

But what we're trying to do with an advisory board is to shift, understanding and awareness into your known knowns in simple terms. Next one. Thanks, Sean.

So how do companies increase their known knowns to move up that curve further?

Well, in our experience, companies, when they have problems and they look to solve those problems, they try to expand the universe of knowledge, skills, and experience they have access to. In their early stages, maybe in a start up, they go to friends and family and peers in business who are really about moral support, encouragement to keep moving. As they mature, they start to talk to business mentors and industry groups, which are really helpful in terms of thinking, but there's no specific knowledge about their business, their objectives.

And, of course, you don't really know what you don't know, so you tend to, use this information, but you're not solving specific problems in your business.

And then often they get to a point of, using informal advisory boards. So recommendations, friends, maybe business acquaintances who they assemble in an informal way, very well meaning on both parts. But, generally, those informal advisory boards, are are helpful but don't have a significant impact on the business. They're generally voluntary. They generally don't have very clear objectives.

So the default often is then to go through traditional governance board, which is not necessarily the wrong choice, but many people don't realize that they've got an alternative.

So next slide. Thanks, Sean. So let me just cover, you know, some of my view on the background of traditional governance boards. And very simply, I think they were really designed last century to solve an ownership problem as operations, became moved further away from from owners and shareholdings became became more dispersed, particularly in listed companies. Then the idea of having a board of directors that could help, govern and represent interest to shareholders and and the company, was necessary. And there's sort of two systems that emerged, one in Germany, the Netherlands, and China, which is known as a two tier board system.

And interesting, I'd argue, even the Western system is slightly moving more towards that, particularly with ESG type objectives.

And then the one tier system, which we're more used to in, in the west. There's nothing wrong with these systems at all. However, more and more, I think I see these boards having to be focused on, compliance and reducing risk.

And by design, they're designed to achieve consensus.

So generally, boards are designed to achieve consensus.

And in many cases, that consensus can push you towards majority in the middle rather than trying to achieve the best outcome to achieve the objectives of the business over time. I'm not saying that happens all the time, but I see it commonly that it pushes the business to the majority in the middle.

Mhmm. So there is an alternative, and, the alternative is to expand that universe of knowledge and skills and experience with a particular problem solving agenda.

And that is what has sort of emerged as being a professional advisory board, and I'd say it's still in its relatively immature state in terms of how they form. So I'm just gonna share my experience from doing a a couple of hundred of these and what we've learned.

But what we've learned is that the best, structure for advisory boards or the way they operate, and I'm gonna come to the roles and responsibilities in a moment, is that those advisory boards are built around a move, so a significant strategy element that the, company with the help of, usually an experienced advisory board chair determines what the cognitive or problem solving need is to execute that move.

They design the advisory board, so who they need on it, what the objective is of that advisory board.

They design it around solving that problem.

They appoint the advisory board to particularly solve and understand that problem. They measure the economic impact, so they see their advisory board as an investment, and the idea is to get a return out of that investment.

And the and as they solve that problem, they do their very best to transfer that knowledge skills and experience from their advisory board into the collective knowledge of the organization. So the places a backstop in terms of that next step up. Once they get through that, the and the move is complete, the advisory board is disestablished, and often the chair stays, but the a new advisory board is reconstituted to execute the next move in the sequence. And this is fundamentally different to the way traditional traditional governance boards work who are enduring through the cycle. This is very focused around solving problems. Go, Julie.

Greg, can I ask you to talk us through the time frame and perhaps the time based differences between an advisory board and its life cycle and, for example, an ad hoc task force and their life cycle?

Sure.

Advisory boards, in my experience, at at the shortest of three to six months, at the longest, typically, are two to three years.

I think, task force are generally focused on, I would say, often a an operational issue, or typically an operational issue. I find advisory boards work best when they're at level five or above and solving much more complicated and integrated problems. I'm not saying there's not some similarities.

Mhmm. So I find a task force usually has a, often a time to start and end.

A an advisory board has an objective, which, you know, the objective is to get it done as quickly as possible, but, but but it's an objective driven time frame.

Greg, I think one one of the insights I've got just looking at this is, again, this notion, particularly in the not for profits, but also, with corporate organizations as well, is this this notion of disestablishing an advisory board. Now some of, you, have a council or an advisory board or whatever name you might give it, but it's it's, it's goes on ad nauseam. And one of the best things that I think you can do is to actually use your term limit cycle to disestablish the people that are currently on it. Because then when the next cycle comes up, either two years or three years or whatever it might be, there's a new set of problems for that advisory board to look to look at. So in essence, what you're doing is you are inviting people to come on to your council or your advisory board if you have an election process with a clearly stated set of problems they're going to focus on for the next two or three years. That's a game changer if you put take it on board. Julie?

Yep. I think so. I'm gonna duck the next question I was gonna ask because there's some great questions, come up in the chat. Richard, you've been waiting very patiently, for Craig.

Richard would like to know how much you've seen improvements for not for profits through the merger route either in New Zealand or offshore, and particularly in the small scale one to five million space.

But more relevant to this discussion, is a question from Janina about whether it works to have both a governance board and an advisory board to deal with strategy and risk oversight, but respond also to specific objectives. And my answer is yes, but I'm interested to hear Craig's perspective.

And Randall is asking, do the advisory boards have fiduciary duties just as trustees and directors do?

So Good question.

So three three three questions. I'll answer those quickly so we can I think some of the answers are in a couple of side side? I don't have any experience on mergers of, not for profits.

The second question was, around Governance and advisory boards?

I think both Both work both work very well together. Largely, if a, government's board is open minded, around the value and and not protective of their space, but I'll get to how they're how they're set up in the moment, which ensures there is a mutual understanding and benefit. And the last one was fiduciary duties. I'm about to get to that one.

Okay. Next slide, Sean. I think I'll answer most of those questions in the next two slides. The way we establish advisory boards and the roles and responsibilities, that we find work best are like this.

An independent chair that is level five. We typically look for experienced business owners, CEOs who, are now professional, chairs, and and they do this as, part of their career.

There is certain talent required.

So, professional advisory boards basically have an independent chair at level five.

They typically have, company members, just a couple. We the CEO's, mandatory, and the CFO is particularly important, and the functional manager or managers that, were involved in a particular problem they're trying to solve. And we typically keep the advisory boards to one or two advisers. So that's how we set the advisory boards up. And, of course, the company members and the advisers can change over time as we focus on a particular problem. So next slide. Thanks, Sean.

So, hopefully, you can see this matrix which covers both the comparison between traditional governance boards and professional advisory boards. I think the key issues here around the primary function of a traditional governance board is a decision maker.

The primary function of advisory board is to solve problems.

One is about conformance and consensus. The other one is very much focused on performance.

There is a fundamental difference in terms of duties. So traditional governance boards have a are a fiduciary appointment subject to the Companies Act and other relevant legislation and responsible for, representing stakeholders.

Advisory boards and their members are independent, guided by the charter that we set up, and very much engaged on understanding that they're there to solve the problem.

Terms usually vary. So governance boards, traditionally three years. Problem solving capability or the problem solving cycle is really the term of, an advisory board, and the compensation is quite different and varies by market.

In governance boards, they're typically paid by the month, as both a chair and a, a director. On advisory boards, the chairs are pick typically paid and retainer by the month, but these advisors are only paid for the meetings they attend, which could be monthly, but typically start to push out to every quarter quite quickly.

Got a couple of good questions for you, Craig.

Are you in favor of organizations having multiple advisory boards? I'm asking for Marco depending on the multiplicity of challenges they face, especially insofar as those challenges are independent from each other.

I have seen that, and, it works well.

One of the ways I've found it works, most beneficially is if the chair of the advisory board is sitting across both of those advisory boards. So you can be executing multiple things at once. The one challenge really is if the moves are significant enough that you're making, the capacity of the organization to execute can really be pushed to its limits by having two agendas.

Yep. And the second question from Andy is, do you see an opportunity or benefit of positioning a standing board subcommittee as an advisory board with a set term or turnover regime?

Absolutely. I've seen it. We've set up numerous, advisory boards in that way.

Actually, if I go to the next slide, Sean, there's ten real key attributes. Maybe this will help.

The ten attributes of these advisory boards is that they have very clear objectives.

They have measurable outcomes, a a a clear charter and agenda, all of which, we go through in establishment.

And and they are separate from the board, but work with the board. So they're very separate in terms of their decision making, and and also are very systemized in the way in the way that they work.

I'll stop there because I've got covered most of the fact most of the fact that they've got example, give an example.

I will give a get an example, Craig, of, of a board standing subcommittee that's acting as an advisory board, and that's with an organization where their biggest, problem they've got is stakeholder engagement over a two to three year period and setting things up for the future. So they've created a board subcommittee, which is actually acting exactly as you would describe these, these, advisory boards set up with a particular problem to solve and, at the high level, transfer of knowledge from that over to the board and the organization itself. So it happens out there. They just don't call board. Craig, back to you.

Alright. Totally.

Look. I'll sum up because we're getting close to time. In the pack, you'll see that, our survey of, business leaders that have adopted advisory boards and and the feedback we get.

A key things are around broadening the vision, giving them the the strength and conviction and confidence to execute.

And another key one we find is particularly the isolation of managers and business owners and the ability to be able to have conversations with an advisory board that they either can't have, with their management team, business owners, maybe at home, but an experienced group of people which allows them to have very strategic conversations about the business.

So that sort of concludes, I think, you know, my experience and, everything that we've learned.

Thanks, Craig. That was a really interesting, conversation. Really appreciate it.

You'll receive an email from us very shortly, which will probably be tomorrow morning now, which will include a link to the, recording of the webinar today. We'll also send you out the presentation slides that Craig took you through, and there'll be a copy of the transcript as well.

So just as you leave the webinar, don't to don't forget to complete our quick survey. Go in the drawer for our hamper. I'll announce the winner of that tomorrow.

Thank you again, everyone, for your attendance. I hope you enjoyed the session today with Craig, Julie, and Steven.

So this is our final webinar, for the twenty twenty four calendar. I hope you enjoyed the series. We start again next year on, I think it's the fifth of February from memory, and we have some really neat topics, discussion topics for you coming in twenty twenty five. So keep an eye on our website for the start of the new series from February.

So thank you, everybody.

Merry Christmas to you all.