AN AMERICAN PORTFOLIOS' GUIDE

Double Your Sales Growth with an Advisory Board

How to Create and Manage an Advisory Board that Improves the Client Experience and Raises Practice Profitability

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In one study of small businesses, sales growth rates were three times greater for companies that instituted an advisory board versus companies that did not, while productivity growth for firms with an advisory board was nearly double that of companies without one.[1]

It sounds perfectly reasonable to suggest that any business owner who seeks the advice of smart, experienced professionals—or the insights of their best customers—should prosper more than those business owners that choose to keep their own counsel or assume they know what's best for their clients.

Yet, despite the range of business benefits an advisory board offers, many financial advisors do not have one to help shape the future of their firms. The hesitation to form an advisory board may be due to a variety of visceral concerns, including the added commitment of time and energy, the potential of outside input to create additional headaches, or even the fear that it may communicate a shortfall in an advisor's level of self-confidence or competence.

In *Double Your Sales Growth with an Advisory Board*, we address the misgivings many advisors may have about implementing an advisory board, examine the benefits of having one, how to properly structure a board to accomplish business objectives and manage it for maximum effect, and why forming an advisory board may be the most effective step advisors can take to grow their practices.

Advisory Board, Defined

An advisory board is a small group of individuals who are selected by a business owner to provide insights and opinions on a range of issues, such as client services, marketing, setting business priorities, online experience, etc.

An advisory board may either be comprised of selected clients or outside professionals, depending upon the objectives of the business owner. For example...

A client advisory board may be the preferred approach if the objective is to gain client insights into current product and service offerings, and learn more about client needs to help drive strategic decision-making.

An advisory board of outside professionals may be a more appropriate path if the goal is to tap into the knowledge and experience of others in order to improve decision-making around specific business challenges and opportunities.

In both instances, members of an advisory board do not act in a fiduciary capacity and have no decision-making authority.

The Benefits of an Advisory Board

In hyper-competitive marketplaces, like the financial advisory business, it is essential that companies "stay close to their customers," which is to say that customers' needs should drive business actions. However, that's no longer enough. Businesses must constantly seek to deliver superior customer value, or customers simply move on. The fundamental challenge for advisors is ascertaining exactly what their clients truly value.

For most advisors, the predominant forms of client contact are informational e-mails, Web site content and quarterly client reviews. While these types of client contacts may serve the client need to stay informed, they do little to advance advisors' understanding of what represents meaningful value to their clients.

A client advisory board offers advisors a number of valuable benefits, including:

A Disciplined Approach to Client Research and Engagement
As valuable as market research is, few advisors engage in it in a formalized way. Absent a framework for continuous engagement, conducting regular and in-depth market research is likely to lose out to the distraction of everyday pressing concerns

Richer Client Insights
One way that advisors have sought to learn about what their clients want is through focus groups. While substantive information can be gleaned by the occasional client focus group, there is a low ceiling on what can be learned since focus groups are one-off events that bring together strangers for a single occasion.

Through a client advisory board, however, clients are brought together on a regular, periodic basis; this allows individuals to grow more comfortable with one another, as well as with the process, resulting in less cautious feedback and much richer insights.

Building of Client Loyalty
People like it when someone asks them for their opinions—they like it even more when they feel that their opinions are valued. When a client becomes part of a team that provides input into the products and services an advisor offers, he or she becomes significantly more vested in the practice and loyal to the advisor.

Increase in Service Consumption
It is not uncommon for clients to be unaware of an advisor’s full menu of services and products. Individuals who serve on a client advisory board become more exposed to what their advisor offers, leading to higher usage of services and products.

Boost in Referrals
The interaction of clients and advisor through a client advisory board establishes a more intimate bond that leads to an increased comfort level in providing referrals and pointing out potential business opportunities they see among their professional and community networks.

For advisors who establish an advisory board of outside professionals, the benefits may include:

Better Decision-Making
The objective advice of seasoned professionals who have tackled issues similar to the ones advisors may face (e.g., new service introduction, technology upgrade or succession planning) can arm advisors with additional information and approaches that may produce more favorable outcomes.

New Networking Opportunities
The professionals that participate in an advisory board will have networks that may become accessible to advisors, providing a more direct networking connection than possible through LinkedIn or client connections.

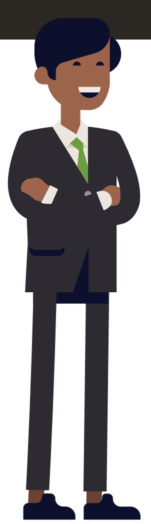
Greater Credibility
When clients and prospects see that an advisor has the support of knowledgeable and reputable members of the community, it lends a level of credibility to the advisor that can engender trust and facilitate new business development.

Establishing an Advisory Board

To ensure the success of an advisory board, it must be established in a thoughtful and purposeful way. There are five key considerations in the formation of an advisory board.

1 Define your objectives

The first step is for advisors to ask themselves what they wish to accomplish with their advisory board. For instance, if an advisor is looking to address fundamental business issues, such as growing pains, inefficient processes or developing a 10-year strategic plan, then the advisor may want an advisory board populated with experienced professionals who can provide helpful advice on addressing these challenges. However, if an advisor is looking to gain greater client insights, then an advisory board comprised of clients is most appropriate.



2 Recruit smartly

Obviously, the heights to which an advisory board can reach will be limited by the people chosen to become members, so recruiting the right people is essential.

For a client advisory board, the clients selected should not automatically be an advisor's "best" clients. Very often, the best client is very different from the clients or client niche that an advisor wants to service. Advisors should pick clients who represent what they want the future of their practices to look like, e.g., retirees, executives, Millennials, etc.

For advisors looking to establish an advisory board of professionals, recruit those individuals with relevant experience and records of success. So, if an advisor views his or her biggest opportunity to be upgrading technology and streamlining operational processes, then he or she may want to look for professionals who have successfully navigated these issues in a similar capacity.

Advisors can begin the recruitment process using their own network, but if the right skill set is not found, they should look beyond their universe of contacts.

Applicable to both forms of advisory boards, advisors should select a diverse group on the basis of gender, age and cultural background to ensure the broadest perspective possible.

Finally, an advisor needs individuals who will speak their mind. It is not a place for sycophants, or even friends and family, who tend to be less frank than outsiders.

3 Define term limits

The rotation of board members is important to maintain an elevated level of energy and infuse new thinking. However, the idea of terminating a client or trusted business contact from a board can hurt people's feelings. To avoid this, establish term limits so that board members understand it is the process that leads to their removal, not any dissatisfaction with their performance.

Advisors may want to consider staggering terms so that board membership is not periodically overturned on a wholesale basis, which could disrupt the board's continuity.

4 Keep it small, but not too small

The size of an advisory board should be kept to a manageable size, perhaps four to six people. A board that is too small may take on the feeling of a social get together rather than a serious undertaking, while one too large may prove to be too unwieldy to be productive.

5 Consider compensation

Individuals who agree to serve on a board are committing time and providing value to help an advisor. As such, compensation for members' time and efforts should be considered. Direct compensation to clients, of course, is impermissible; however, advisors can show their appreciation in other ways, such as combining meetings with dinner or making charitable contributions in their names. For members that are non-client professionals, advisors can consider a small stipend and pay for travel-related expenses.

Once an advisor has arrived at his or her list of board member candidates, he or she should personally call each candidate with the invitation to join, explaining the objective of the board, the role of participating members, and the expectations around meeting schedules and locations. Communicate this invitation with an excitement that the prospective member can hear.

Managing an Advisory Board

Advisors should never lose sight of the fact that board members are volunteering their time. That's why it is important that members feel engaged, that their time is respected and always believe that their voice is being heard. To that end:

1 Create a schedule

Board members should have advanced warning of when and where meetings will be held in order to properly integrate the meeting into their busy schedules. The frequency of meetings is up to the advisor, but semi-annual may be the sweet spot.

2 Have an agenda

An agenda should be distributed one to two weeks in advance of the meeting. This allows members to consider the issues prior to the meeting, which should lead to more thoughtful discussions among board members. In the case of a client advisory board, agenda items may be best structured in the form of questions.

For example, if an advisor wants to focus on the value of quarterly client reviews, rather than an agenda item that reads "Pros and Cons of Quarterly Client Reviews," the agenda may be a series of questions, such as:

- "What do you like most/least about the quarterly review?"
- "With regards to the enclosed sample quarterly review, which sections are most confusing?"
- "What would you most like to talk about in a quarterly review meeting that I currently don't discuss?"

3 Hire a meeting facilitator

The advisor should avoid serving as the meeting facilitator since it may inhibit what members have to say. It's natural that advisors could become defensive in the face of honest client commentary, but such defensiveness will shut down open dialogue.

Not only will an outside meeting facilitator foster greater openness, but he or she will be better at keeping the meeting on track and ensuring that the input of all members is heard. Is also better for a meeting facilitator to rein in a dominating client than the advisor. Lastly, a facilitator allows an advisor to become part of the conversation.

4 Go offsite

Holding meetings outside the advisor's office will help remove distractions, neutralize the power dynamic associated with an office environment and allow for a more seamless integration of a social component that can precede or follow board meetings.

5 Take notes

Nothing will discourage board members more than feeling like their time is being wasted and their views are being ignored. Advisors should have a staff member on hand to take notes or video the meeting so that a summary can later be shared with all members.

Board members should understand that ideas discussed are not necessarily a call to action. However, member input should not be readily forgotten, either. One agenda item for each board meeting should be a review of prior input and an advisor's ultimate determination for that input, e.g., "will be implemented in three months," "not technically feasible," "not permitted by regulatory rules," etc.

Concluding Thoughts

Advisors are awash in data and expert commentary about the changing wealth management landscape. The cacophony of advice and information on the increasing expectations of high net worth investors, the coming generational wealth transfer, the rise of fin-tech, and the role of digital technologies in the collaboration between advisor and client can be dizzying and contradictory.

Staying abreast of these changes, of course, is imperative in order to remain relevant in an evolving world. However, it would be to an advisor's great disadvantage if he or she relied on second-hand information and third-party observers to inform his or her decision-making when first-hand knowledge is so readily—and inexpensively—available through the creation of a client advisory board.

Sources:

1. https://www.bdc.ca/en/Documents/analysis_research/bdc_study_advisory_boards.PDF

American Portfolios Financial Services, Inc. has just the resources in place to help its advisors on many fronts. Advisors interested in learning more should contact *Vice President of Marketing Strategy* **Kimberly A. Branch, CFP®** at **631.439.4630**, or via email at kbranch@americanportfolios.com, to strike up a conversation today on programs and needs of the advisor.