



Advisory Committees for Small & Medium Enterprises

Cafa's partners are regularly invited to sit on their clients' advisory committees which, more often than not, were initiated on Cafa's recommendation. This article will shed some light on the role of the advisory committee and how it should be set-up to successfully contribute to the growth and development of an organization. We will also review the typical meeting agenda and outline the benefit of an Advisory Committee for the small and medium enterprise (SME).

The role of the Advisory Committee

The role of the Advisory Committee is to provide advice, recommendation and guidance to the owner/shareholder and senior management on various business issues. Unlike board members, advisory committee members are primarily there to share their business experience; they are not accountable to ensure the corporation complies with various laws and regulations governing its operations.

Advisory committee effectiveness

To be effective, an advisory committee must be composed of four to five members including the principal owner/shareholder. Members should include experienced senior level individuals and professionals such as accountants, lawyers, investment banking specialists, marketing experts, former industry participants, etc. One looks for a balance of expertise and viewpoints and members whose forte is typically different from that of the shareholder/owner.

Selected individuals should be ready to invest more time than what they will be compensated for and they should typically expect to commit as much time outside of meetings as that spent at the meetings. Appointments should be for a minimum of two years with a re-appointment for a second term if their contribution is viewed as meaningful.

Frequency of meetings: Meetings should be held at least three to four times a year and should coincide with the financial year-end, budget review and/or quarterly financial results.

Duration: The meeting should not last more than a couple of hours (half a day maximum) with the possibility of a day retreat once a year.

Meeting location: The meetings should be held offsite, but at least one meeting per year should be held on the company's premises. Lunch time should be used as the social part of the meeting and should not be part of the formal meeting. The advisory committee meeting needs to operate with a discipline similar to that of a board meeting.

Confidentiality: All members of the advisory committee should execute nondisclosure agreements.

Conflicts of interest: Advisory committee members should at all cost avoid placing themselves in conflicts of interest.

Typical Advisory Committee meeting Agenda:

As with any board meeting agenda, the typical advisory committee meeting agenda should cover subjects such as:

- Presentation of agenda;
- Review of the minutes of the previous meeting;
- Presentation and analysis of the most recent
- Financial information;
- Presentation, on an alternate basis, by senior management of a department including a discussion of their challenges and opportunities;
- A discussion topic of the day, such as business plan, financing strategy, review of the market, competition, annual capital expenditure program, compensation, etc.;
- Review the strategic plan and/or business plan;
- Date of future meeting



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Annual reviews: Once a year, the committee should review its function and effectiveness and each member should measure his or her contribution as objectively as possible.

Typical meeting structure: The material to be reviewed at the meeting should be sent to the members at least one week prior to the meeting. At the first meeting, assuming that members do not know each other, fifteen minutes should be set aside for the participants to present themselves to the group. Each member should also receive an orientation package ahead of the first meeting. Such a package typically includes historical financial statements, the business plan, marketing literature, etc.

Compensation

To attract quality individuals, the SME should be prepared to adequately compensate the member for their time and travel costs. The remuneration should be high enough to be meaningful to get everyone's full commitment and attention, but it should be viewed more as a token of appreciation.

The benefit for the SME

For the advisory committee to make a valuable contribution to the development of the SME and its shareholder/owner, the principals must be open minded, willing to listen to the opinions of others and accept to be challenged. The shareholder/owner should also be willing to provide sufficient access to the company's confidential information in order for each member to properly understand the company and its challenges. Finally, the shareholder/owner must be ready to invest time and resources towards these meetings.

Cafa would be pleased to further discuss the merits of an Advisory Committee with you.

Recent Transactions Once a business owner has been exposed to the benefits of an advisory committee, the transition to a more formal format (such as a more active board of directors) will be smooth and seamless.