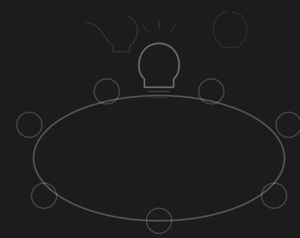
THE 50 FOR 50 GROWTH GUIDES · GROWTH FACTOR 20

# The Brain Trust: Advisory Boards

THE 50 FACTOR — GROWTH FACTOR #20

## Building an Advisory Board

The Complete Implementation Guide



BY SCOTT SCULLY

## Principle #20: Building an Advisory Board

### The Complete Implementation Guide

*This white paper is a companion to Chapter 20 of The 50 Factor by Scott Scully.*

## Why This Principle Matters

An advisory board is the most underutilized growth asset available to founders between $3M and $30M in revenue. You're too small for a real board of directors but too big to wing it alone. You're making decisions about markets, hiring, strategy, and capital that have million-dollar consequences — and you're making them with the same perspective you've always had.

The five right advisors compress years of trial and error into quarters of meetings. A single observation from someone who's already navigated your current stage can save you a year of learning the hard way. For $8K-$20K per year in honoraria and a small equity grant, you get access to experience worth multiples of that.

The reason most founders don't have advisory boards isn't that they can't afford it. It's that they don't know how to build one. They confuse it with a board of directors (which has legal authority). They don't know who to recruit. They don't know how to structure the meetings. They don't know how to compensate advisors. And they underestimate how willing successful people are to give back — because successful people at this career stage genuinely want to help. What they won't tolerate is wasted time.

## Advisory Board vs. Board of Directors

This distinction matters because founders conflate the two:

**Board of Directors:** Legal authority. Can hire and fire the CEO. Approves financing. Makes binding governance decisions. Typically comes with institutional capital (PE or VC investment).

**Advisory Board:** No legal authority. Structured outside perspective. Meets quarterly. Provides counsel, connections, and accountability. No binding decisions. No fiduciary obligations.

You want the advisory board first, for years. The board of directors comes later — typically when institutional capital enters the picture. The advisory board builds the governance muscle (Principle #9) and the strategic thinking habit that prepares you for a real board when the time comes.

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## The Five Seats to Fill

Don't recruit randomly. Recruit for specific gaps in your experience and perspective:

### Seat 1: The CEO Who's Been There

Someone who has scaled a services company through the milestones you're approaching. If you're at $5M heading toward $15M, find someone who's been through $5M to $50M. Their pattern recognition is worth more than any consultant's framework — because they've lived it.

### Seat 2: The Operator

Deep expertise in your weakest functional area. For most founders at $5-15M, this is either operations or finance. The operator fills the gap between what you know and what you need to know to scale without breaking.

### Seat 3: The Commercial Leader

Sales or growth expertise for mid-market penetration. Someone who's built sales teams, designed compensation plans, and scaled revenue organizations. They help you think about the Growth Formula (Principle #4) with experience you don't have yet.

### Seat 4: The Industry Expert

Deep knowledge of your specific vertical — the trends, the players, the regulatory landscape, the competitive dynamics. They see things coming before you do because they've spent decades in the space.

### Seat 5: The Wildcard

Someone from a completely different industry. Their value is perspective that your internal team and your industry-focused advisors can't provide. They ask the question nobody in the room has thought to ask — because they're not anchored to the same assumptions.

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## Compensation

Advisory board compensation varies. Here's what works at $3M-$10M:

**Cash:** $1K-$5K per quarterly meeting, paid the day of. At 4 meetings per year, that's $4K-$20K per advisor.

**Equity:** 0.1%-0.5% per advisor, vesting over 4 years. This aligns their incentive with your growth.

**The mix (recommended):** A smaller cash honorarium ($1.5K-$2K per meeting) plus a small equity grant (0.1%-0.25% over 4 years). The cash respects their time. The equity respects their commitment.

Total program cost for 5 advisors: $30K-$50K per year in cash plus a small equity pool. The ROI is consistently among the highest of any strategic investment at this stage.

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## The Quarterly Meeting Structure

Two to three hours. Formal agenda. Pre-read packet sent 72 hours in advance (use the board packet format from Principle #9).

**First hour: Your update.** Financials, metrics, what worked, what didn't. Be honest. These people can smell spin from a mile away — and they can only help you if they see the real picture.

**Second hour: Specific challenges.** Three to five real questions you want their input on. Not "what do you think of the business?" — specific, answerable questions. "Should we enter the healthcare vertical or double down on manufacturing?" "Should we hire a VP of Sales or promote from within?" "How do we handle a client who represents 18% of revenue and is becoming difficult?"

The quality of the questions determines the quality of the advice. Come prepared with hard problems, not easy ones.

**Final 30 minutes: Executive session.** The advisors talk without you in the room. You return for the summary. This is where they say the things they wouldn't say to your face — and it's often the most valuable 30 minutes of the entire meeting.

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## How to Find Advisors

Network referrals are the primary channel. Ask your existing mentors, investors, clients, and founder peers for specific introductions: "I'm building an advisory board and I need someone who's scaled a B2B services company past $25M. Who would you recommend?"

Have a one-pager ready — a single page that explains your company, your stage, what the advisory board does, and what you're looking for in this seat. Professional. Brief. Specific.

Offer a 30-minute introductory coffee or call with no obligation. The conversation is exploratory for both sides. They're evaluating whether your company is worth their time. You're evaluating whether their experience matches your gaps.

Expect a conversion rate of about 1 in 3. Plan to meet 10-15 people to fill 5 seats. The process takes 60-90 days from first outreach to first meeting.

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## Common Mistakes and How to Avoid Them

**Mistake #1: Recruiting friends instead of experts.** Your friends who happen to be in business are not an advisory board. They're friends. Advisory board members are selected for specific expertise gaps, not personal comfort.

**Mistake #2: No structure.** An advisory meeting without an agenda, pre-read, and specific questions is a social gathering. Come prepared or cancel the meeting.

**Mistake #3: Not compensating.** Not paying advisors communicates that you don't value their time seriously. Even a modest honorarium changes the dynamic.

**Mistake #4: Not creating the executive session.** The 30 minutes without you in the room is where the hardest truths emerge. Skip it and you lose the most valuable part of the meeting.

**Mistake #5: Asking too few questions.** Founders often spend 90 minutes on the update and 15 minutes on questions. Invert it. Spend 60 minutes on questions and 30 on the update. They can read the pre-read. They can't answer questions that aren't asked.

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## Quick-Start Checklist

- ✓ ☐ Write the 5 advisor seat profiles this week (CEO, Operator, Commercial, Industry, Wildcard)
- ✓ ☐ Build the one-pager about your company and advisory board
- ✓ ☐ Request 15 introductory coffees from your network over the next 90 days
- ✓ ☐ Have the intro conversations and evaluate fit against your seat profiles
- ✓ ☐ Finalize compensation structure (cash + equity mix)
- ✓ ☐ Schedule the first formal advisory board meeting within 6 months
- ✓ ☐ Send the pre-read packet 72 hours before every meeting
- ✓ ☐ Come with 3-5 specific questions, not "what do you think?"
- ✓ ☐ Always include the executive session (30 min without you in the room)
- ✓ ☐ After each meeting: send follow-up notes, action items, and thank-you within 48 hours

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### Implementation Tools

Ready-to-use templates for this Growth Factor

PDF **Advisory Board One-Pager Template**
Company overview + what you're looking for

PDF **Advisor Seat Profile Worksheet**
Define the five seats for your specific gaps

PDF **Quarterly Meeting Agenda**
Update + questions + executive session format

PDF **Advisor Compensation Framework**
Cash, equity, and mix models

XLSX **Advisor Outreach Tracker**
Columns: Name, Seat Profile, Referred By, Intro Coffee Date, Fit? (Y/N), Interest? (Y/N), +2 more

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*Get the book: The 50 Factor by Scott Scully*

## The Grace Moment

Here's what an advisory board actually produces — told through a real example.

A company at $8M in revenue was having a rough year. Growth had slowed. A quarter was missed badly. The founder presented his next-year strategy to his advisory board — a plan that assumed his sales team would produce 40% more output with the same people.

One advisor — a former CRO who had scaled a company from $20M to $100M — listened politely through the whole presentation. Then she said: "Can I be direct? You're pitching a plan that assumes your sales org will produce 40% more with the same people.

Nothing in your plan addresses the capacity issue. You've already maxed out what these people can produce. You need to double your sales team. Now. Before you can execute any of this."

She was right. The founder had been avoiding the sales headcount decision for six months because it was scary and expensive. He went home from that meeting and, within 30 days, made three new sales hires. Within six months, the company was back on track. Within a year, growing faster than ever.

That one observation — at a two-hour quarterly meeting — was worth more than a year of internal strategy sessions. Because the advisor had already been there. She knew what capacity ceilings look like. She saw it in ten seconds. And she said the thing nobody inside the company had the nerve to say.

That's what advisory boards produce. Not advice in the abstract. Specific observations, from specific experience, at the specific moment when the founder needs to hear them. The compression effect — years of trial and error condensed into a single quarterly conversation — is the highest-ROI investment a founder at this stage can make.

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## The Executive Session: Why You Leave the Room

The last 30 minutes of every advisory board meeting should be an executive session — your advisors talk without you in the room. You return for the summary.

This is uncomfortable. It feels like they're talking about you behind your back. They are. That's the point.

Here's what happens in executive sessions:

- • Advisors say things to each other that they're reluctant to say to your face. "Did you notice he avoided the question about his VP of Sales? I think there's a problem there he's not addressing."
- • They synthesize observations that require comparing notes. "His financials look strong but his pipeline is thin. I think Q3 is going to be rough."
- • They identify patterns across multiple meetings. "He's been talking about the same three problems for two quarters without resolving them. We need to push harder on follow-through."

When you return, the facilitator (typically your most senior advisor) gives you the summary: "Here's what we discussed. Here's what we think you should focus on. Here are the questions we'd like you to come back with next time."

This feedback is unlike any other feedback you'll receive — because it comes from people who have no political stake, no employment dependency, and no reason to soften the truth. The executive session is where you hear the hardest truths about your company. Protect it. Never skip it. And never take the feedback personally — take it seriously.

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## The Mindset Shift: Why Successful People Say Yes

Most founders assume nobody important would want to join their advisory board. "Why would a former CEO who sold a company for $200M want to sit on my little board?"

Because they've been in your seat. They remember what it felt like. They remember the loneliness of the decisions, the weight of the payroll, the uncertainty of the strategy. And they've reached a point in their careers where giving back — helping someone navigate what they've already navigated — is deeply satisfying.

What successful advisors won't tolerate is wasted time. If you show up unprepared, with no pre-read, no specific questions, and no follow-through from last quarter — they'll resign within two meetings. But if you show up prepared, honest, coachable, and action-oriented — they'll invest years of their time and wisdom in your growth.

The barrier isn't their willingness. It's your preparation.

## The One-Year Goal

Within 12 months of reading this white paper, you should have:

- • Five advisory board members, each filling a specific seat profile
- • A quarterly meeting cadence with formal agenda and pre-read
- • A compensation structure that respects their time
- • An executive session at every meeting
- • A running log of the insights, recommendations, and actions produced by the board
- • At least one "Grace moment" — a single observation that changed your trajectory

That board will be the single most valuable $30K-$50K you spend this year. Not because the advisors are smarter than you. Because they've already been where you're going — and they can see the road from a height you can't reach alone.