



Note on Boards

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Most CEO's and their leadership teams orchestrate meetings with their boards to:

- Show how great they are and how well things are going
- Avoid leaving the meeting with more to do than when it started

There is a lot more value that can be derived from working with the board but it takes a lot of work in building, cultivating, preparing for, and working with boards

My experience is with three distinctly different kinds of boards:

- A **Celebrity Board** is staffed with people who bring attention and prestige to the organization and who may provide access to potentially valuable resources (money, clients, people to hire, partners, etc.). I generally have little interest in serving on such boards.
- A **Board of Advisors** is staffed with individuals with directly relevant personal experience in what the organization and its leaders are doing; e.g., they have first-hand experience in the industry dealing with the very same problems the organization faces and who provide valuable perspective and insight on what will and will not work because they have been through it themselves. Advisory Board members generally have specific experience, knowledge, and perspective to draw on and that is often best done one-on-one with each rather than as a group where each will struggle to find the way to deliver on why they think they have been recruited to participate in the first place.

The attached Advisory Board Heads-of-Agreement shows how the Company XYZ Advisory Board was set up as an example of how to do so. Company XYZ Leaders routinely contact Advisory Board members to draw on their wisdom in key situations. The Advisory Board also meets as a group with a broad set of internal leaders 2 to 4 times a year for three hours at a time. Background material on 2 to 4 of the biggest and most important things going on are prepared and sent to the members well ahead of the session along with specific questions that leadership wants help with at the meeting. Members read the background ahead of time, think critically about what has been presented, and work hard to develop a point of view that they will share at the meeting. In the advisory meeting leaders talk through key points, field clarifying questions from members, and then draw out their best advice for each of the items in turn.

- An **Accountability Board** (or Board of Directors or Governing Board) has a three-pronged charter (see figure below for an example):
 - To serve as a consistent point of accountability. I.e., where the CEO puts before the board a plan and regularly reports on how things are going relative to plan
 - To help with focus...i.e., what is it that the firm as a whole seeks to accomplish and how it is going, and what each of the C-level people are trying to accomplish and how is it going
 - To provide access to resources, such as ideas, money, clients, people to hire, partners, etc.

While Accountability Board members generally also attend and participate fully as Advisory Board members, in meetings of the Accountability Board, the agenda is always as follows:

- Here is what we said we would do,

**CHARTER FOR THE
ADVISORY BOARD
OF
COMPANY XYZ SOFTWARE SYSTEMS, INC.**

PURPOSE:

The purpose of the Advisory Board (the “Advisory Board”) established pursuant to this charter is to provide advice and otherwise satisfy requests from the chief executive officer (the “CEO”) of Company XYZ Software Systems, Inc., a Virginia corporation (the “Company”), and its affiliates regarding any issues related to the Company and its affiliates that the CEO may present to the Advisory Board.

The Advisory Board will undertake the specific responsibilities listed below and will not have the authority or power to undertake any acts or duties except as the CEO may from time to time prescribe. For the avoidance of doubt, except as specifically authorized by the CEO in writing, neither the Advisory Board nor its individual members shall be authorized to bind the Company in any way or provide recommendations to the CEO.

MEMBERSHIP:

The Advisory Board shall consist of a minimum of one (1) or more members as is determined by the CEO. The member(s) of the Advisory Board shall be appointed by and serve at the discretion and pleasure of the CEO. The Company shall establish the compensation of each member of the Advisory Board.

RESPONSIBILITIES:

The responsibilities of the Advisory Board include providing advice to the CEO regarding any issues related to the Company that the CEO may present to the Advisory Board, which may include programs, products and services of competitors and potential customers of the Company and its affiliates, the business development and marketing strategy of the Company and its affiliates, and the overall business plan of the Company and its affiliates.

MEETINGS:

Meetings of the Advisory Board may be held at such time and place as shall from time to time be determined only by the CEO.

MINUTES:

At the direction of the CEO, the Advisory Board will maintain written minutes of its meetings, which minutes will be filed with the Company’s corporate records.

Company XYZ Advisory Board
Proposed Heads of Agreement With [_____]]
<date>

Company XYZ Objective:

To form an Advisory Board made up of 3 to 4 well-connected, external people who consistently over time:

- Add credibility to Company XYZ in the federal government procurement landscape,
- Provide insight into business development and product development initiatives, and
- Help with networking, door-opening, and influencing with key customers, prospective customers, and partners.

Terms:

- We will
 - Grant you options that will be worth approximately \$100,000 if Company XYZ achieves its base goals (i.e., realized valuation of 3 times invested capital) with corresponding upside if actual performance exceeds target. Options vest over 4 years and expire twelve months after termination.
 - Pay you \$1500 (plus modest travel expenses) per Advisor Meeting
 - Memorialize this agreement in a written contract
- You will:
 - Prepare for (i.e., read advance materials) and attend 3-4 Advisor Meetings per year
 - Stay attentive and interested in Company XYZ and what we do, our partners, competitors, customers and prospects.
 - Initiate contact to let us know anything that comes up that you think we would benefit from knowing.
 - Be available and interested to help top Company XYZ leaders via phone, e-mail, and occasionally in-person on a spot basis.
 - Provide additional consulting support on an hourly basis at \$250/hour (\$2000/day) upon request of the CEO as your time and interest in so doing permits.
- Term is 2 years with automatic annual renewal; either party can terminate at any time and for any reason with 30-days written notice.

Agreed to by: _____
Title: _____
Date: _____

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Title: _____
Date: _____