FPLG: BLOG

Is it Advisable to Have an Advisory Board?

06.03.14 | Linda J. Rosenthal, JD

The Children's Hospital of Michigan Foundation has one. Charity Navigator, an educational organization, has one, too. The Robin Hood Foundation, New York's largest anti-poverty charity, has several, as does Lifeboat Foundation, a prominent think-tank.

What is it? An advisory board: a group of individuals invited by an organization to provide credibility and guidance. It's not exclusive to the nonprofit sector — lots of businesses have advisory boards, but it's particularly well-suited to 501(c)(3) organizations who like to reach out to the community for technical help, fresh ideas, recognition, and support.

Is it Like a Board of Directors?

Actually, no. And that's the key point for everyone involved — directors, staff, and advisory board members — to understand and accept. It can make or break the successful blending of the advisory board into the organizational structure and culture.

Many businesses, and most nonprofits, are organized as corporations which are governed by state law.

In California, like other states, the linchpin of a corporation is a mandatory, elected board of directors that has the exclusive authority and duty to make policy and govern.

There are specific rules about all aspects of this body: size and composition, for instance, as well as meeting requirements, voting procedures, and authorized powers. Board members have explicit responsibilities. They are "fiduciaries": they owe the organization duties of care and loyalty.

If they don't perform, or if they breach these duties, they can be held personally liable.

The board of directors may delegate certain activities and decisions, so long as ultimate responsibility and power remains with the directors.

How Does an Advisory Board Fit In?

The name says it all: an advisory board advises. And there's no legal requirement of any kind for a nonprofit to have an advisory board. The decision is entirely up to the board of directors.

The board of directors has the power — if it chooses — to establish two kinds of committees: board committees (comprising some, but not all, of the directors) and non-board committees. While there are rules for how board committees operate, there are no requirements or procedures at all for non-board committees — precisely because these non-board groups have no power or formal role.

So an advisory board isn't actually a board at all; it's a committee authorized by the board — that is, a non-board committee: no official authority, no duties, no rules.

So — Do You Need or Want an Advisory Board?

Is an advisory board right for your nonprofit? Maybe yes. Maybe no. Sometimes it's a great idea that can add significantly to the organization and its mission. In other cases, it's more trouble than it's worth.

Actually, the open-ended and unofficial nature of an advisory board can be its greatest asset. It can be perfectly tailored to suit your organization's needs and match the interests and talents of prospective members.

It's a good fit for a variety of people who deserve a formal association with your group, but who are not current directors. This can include valued volunteers and key donors, prominent community leaders and professionals in the field related to your mission, retired directors or interested supporters thinking of eventually becoming directors, and — sometimes — members of the community that the organization serves.

An advisory board can be permanent or short-term. It can have a single purpose – for example, establishing credibility. (These appointees are sometimes referred to as "prestige" or "letterhead" members.) Or it can have multiple purposes; for instance: to foster links with the community, to reach out for technical assistance or broader perspective, or to recruit help with a specific task like a major fundraising campaign. Some organizations, like the Robin Hood Foundation and Lifeboat Foundation, recruit such a large, diverse pool of talent that it makes more sense to have multiple advisory boards.

How Should You Proceed?

Many organizations jump right in without carefully thinking through the practical aspects of having an advisory board. It's not just a matter of pinning down the mission and purpose(s) of this group, but deciding whether a group is needed at all.

First, consider whether you have the time and resources to manage a group — or whether it might be better to ask individuals to perform specific tasks. Some functions can be achieved by individuals as well or better than by collective meetings and actions. In that case, consider asking people to be "advisors" rather than members of an advisory board. In the case of prestige invitations, the

prominent people may not expect to do much at all, anyway, other than lend their names to the letterhead.

If you decide to go ahead and form an advisory board, you'll need to make the rules — the more specific, the better — because the corporation statute doesn't do it for you. Who will serve, and for how long? Will there be periodic meetings? If so, how often? Who will be in charge? Will the meetings be casual or formal? The answers, and the procedures adopted, will depend on the particular circumstances of your situation.

Establish the level of commitment expected of appointees. Of course, if an invitation is meant to be honorary only, make that clear as well.

Though there are no legal requirements for advisory boards, it's important to put in writing its scope and the details of how it will operate. It's a good idea to incorporate part or all of this document into the organization's bylaws. This will help avert misunderstandings as well as harmful clashes with the directors or staff.

Conclusion

Make sure everyone understands that this is an advisory role only — that members have no power to direct staff or make policy for the organization. The purpose is to serve the board of directors, not usurp it.

Some nonprofits deliberately choose to name the advisory group something other than a "board" – to highlight the distinction from the board of directors. Some common alternatives include advisory "council," "committee," or "group." If the main reason for an advisory board is to raise money, it might be called "friends of [the organization]" or "community leadership council."

Before inviting people to join an advisory board, plan carefully. Consider alternatives. Finally — it if makes sense to go the advisory board route, create comprehensive documents about its scope, purpose(s) and operation.