

Advisory Board (Agent) Firm

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Small firms in the competitive construction management industry face challenges in navigating complex projects, managing client relationships, and sustaining growth. Advisory Boards have emerged as a valuable resource, offering expert guidance and strategic oversight. This paper examines the role of Advisory Boards in small construction management (agent) firms, assessing their effectiveness and providing a framework for establishing an Advisory Board to maximize benefits and minimize drawbacks.

What an Advisory Board We Need?

An Advisory Board differs significantly from an ownership board such as a Board of Directors. It does not have the authority to vote on company policies or control operations. This distinction is crucial for small businesses that need external expertise without relinquishing control. Unlike an ownership board, which has fiduciary responsibilities and influences major decisions, an Advisory Board serves purely in a consultative capacity. This setup allows small firms to benefit from external insights while maintaining strategic direction, which is particularly advantageous for businesses in the early stages of growth.

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Although an Advisory Board lacks formal decision-making



power, it offers substantial support by acting as a sounding board for leadership. Typically composed of three or four individuals, the board provides diverse perspectives and expertise in critical areas like finance, marketing, and legal matters. This guidance helps small firms make informed decisions, avoid common pitfalls, and capitalize on emerging trends.

One of the primary advantages of an Advisory Board is its adaptability. Unlike a formal board of directors, an Advisory Board can be more fluid in its composition and focus, evolving as the firm's needs change. This flexibility ensures that the board remains relevant and provides the most pertinent advice as the firm grows.

Potential Challenges to an Advisory Board

Despite the benefits, Advisory Boards can present challenges. Potential conflicts of interest may arise if members have other business ventures or serve on multiple boards. Proper vetting of candidates can mitigate this risk. Engaging with an Advisory Board also requires time and resources, which can strain small firms. To address this, the board's focus should align with the company's top strategic goals, minimizing time spent on less critical issues.

Operational costs are another concern. Honorariums, travel, and administrative expenses can add up, particularly for small firms with limited budgets. Cost-effective strategies include recruiting local board members to reduce travel expenses and conducting virtual meetings.

What Does an Advisory Board Cost?

The costs of maintaining an Advisory Board can vary widely, but common expenses include:

- » Compensation for board members, which can range from a few hundred to several thousand dollars per meeting.
- » Costs associated with travel, venue rental, catering, and administrative support.
- » Managing an advisory board requires resources for organizing meetings, preparing materials, and coordinating follow-up actions.

Practical Steps to Establish an Advisory Board

To maximize the benefits of an Advisory Board while minimizing challenges, small firms should follow a structured approach:

- » **Define the Purpose and Scope:** Clearly articulate the board's purpose and identify areas of expertise needed.
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