How can a startup benefit from an advisory board? V2

What is the purpose of this article?
This article enables a discussion about the value of a startup advisory board.
The target audience for this article includes: Founders and advisors.

This article does not provide tax, legal, or financial advice.

What are the critical learnings in this article?
1) Some advisors must have current and relevant knowledge and relationships regarding: : potential customers, marketplace, competitors, regulators, technology, talent, etc.
2) Some advisors must be able to help the founders think through what to and to make a decision.
3) Advisors are not consultants.

What is the value of a startup advisory board?
The greatest value is helping founders think through two things:
1) Are they appropriate to launch a startup?
2) Should they continue with their idea or startup.

If a startup is heading towards very likely failure, then the advisors need to help the founders understand this and determine what to do.

Advisors can also enable success and reduce the risk of failure.

How can the advisors provide value?
The degree of advisor involvement and value varies:
1) Sharing current and relevant knowledge about: potential customers, marketplace, competitors, regulators, technology, talent, etc.
2) Doing introductions potential: customers, employees, partners, suppliers, investors, regulators etc.
3) Attend meetings between the founders and: customers, employees, partners, suppliers, investors, regulators etc.
4) Advise on one or more strategic projects.

Much of the value is delivered by attending meetings and responses to emails.

Advisors are not consultants. E.g. They are not going to: collect data, do analysis, and prepare reports.

What are the challenges in selecting advisors?
1) Some advisory must be experts with current and relevant knowledge, skills, relationships.
2) Some advisors need to be able to help the founders think through and make their own decisions.

Founders need to avoid advisors:
1) With out-of-date and irrelevant knowledge, relationships, etc.
2) Who can only talk about or recommend what the advisor did in a situation which was different from or not relevant to the founders situation, problems, and issues,

In sports the best coaches are rarely the best athletes, the best athletes are rarely the best coaches, and athletes almost always have coaches.

What should be the advisor compensation?
1) Advisors are often compensated with equity. Given that most startups fail, this means the advisor compensation usually ends up as zero.
2) Please take a look the FAST (Founder Advisor Standard Template) from the Founder Institute. This provides a framework for both the advisor contract and compensation. The following is the link to the template:

https://fi.co/fast

What are your next steps?
Founders and advisors should review the FAST agreement template

As a founder:
1) Write down your expectations: the current and relevant knowledge and relationships the advisor should have, the value an advisor can provide, the services an advisor will provide and how you will assess value.
2) Value assessment will likely be a combination of subjective and metrics.
3) Interview potential advisors, initially discussing your expectations and the advisors’ expectations.

4) Finalize the FAST agreement. This will require review by legal professionals.

As an advisor:

1) Identify the type of startup you’d like to be involved in.
1) Write down your expectations: the current and relevant knowledge and relationships you have, the value you can provide, the services you can provide and how value will be assessed.
2) Value assessment will likely be a combination of subjective and metrics.
3) Interview potential startups, initially discussing your expectations and the founders’ expectations.
4) Finalize the FAST agreement. This will require review by legal professionals.