

# 2021 State of the Market

Understanding the growth & impact  
of the advisory sector



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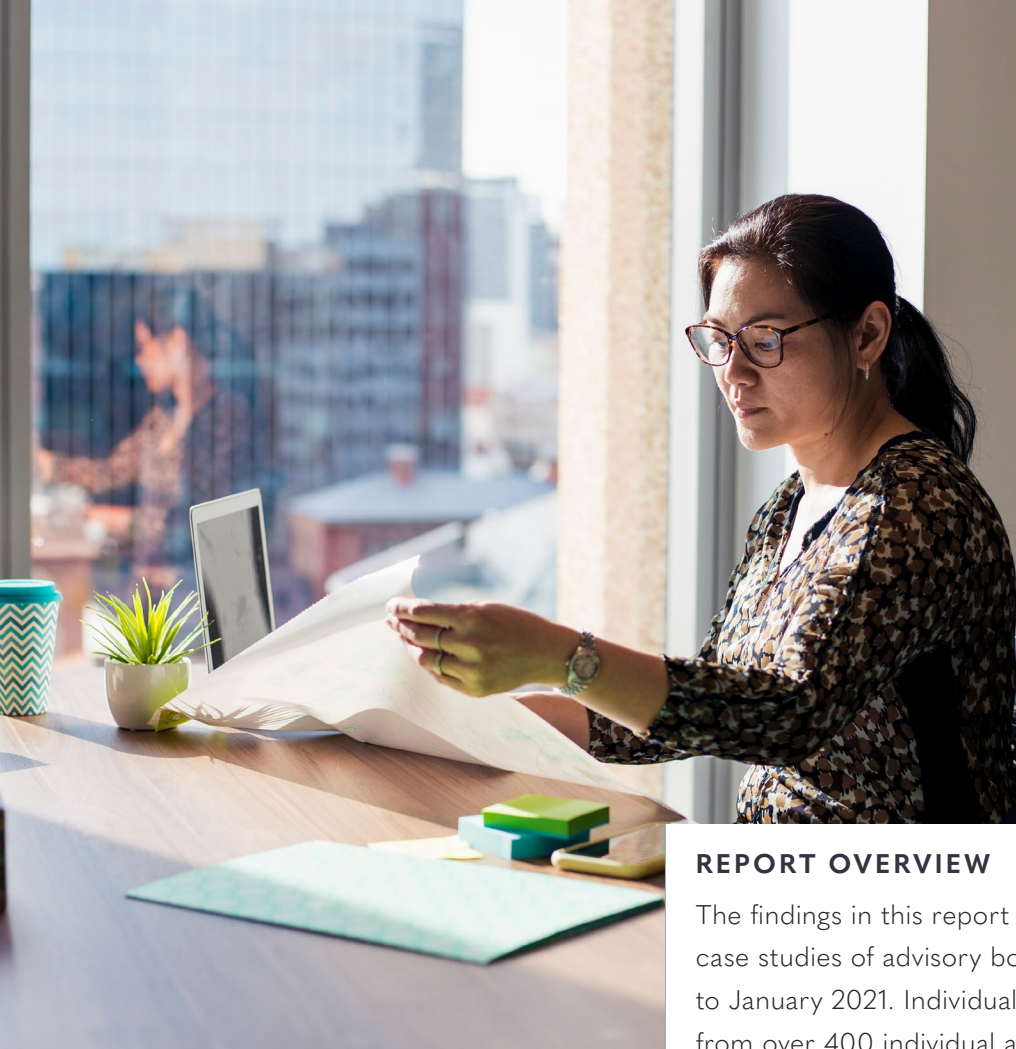
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## **REPORT OVERVIEW**

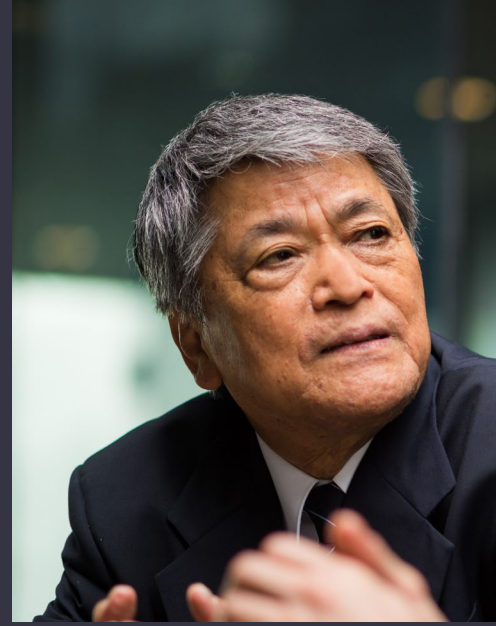
The findings in this report are based on surveys and case studies of advisory board activities from July 2017 to January 2021. Individual respondents are drawn from over 400 individual advisory board practitioners. Participating organisations include those who have actively engaged with more than 700 advisory board events.

The report investigates how organisations are engaging with advisory boards in future-proofing their business and reviews long term trends in the sector.

## **REPORT USAGE**

The report is designed to provide value to key stakeholder groups with an interest in advisory boards including:

- The global professional advisory community supporting organisations with strategic insight and foresight at a board level
- Corporate entities leveraging advisory boards to support governance agendas and decision-making cycles
- Business owners and executives informing business confidence, the constraints, and where advisory boards are adding value
- Government, funders, banking sector and industry associations understanding where and how organisations are seeking support



# WORLD-LEADING INSIGHT

Released in 2019, the first edition of the State of the Market global report provided a world leading insight into the evolution and formalisation of advisory boards. Over the past two years, we have continued to research the sector – tracking advisory board usage, participation by professionals and impacts for organisations.

While the global pandemic created shifts in advisory board engagement and organisational focus, the benefits of continuous research into the sector gives us a longer lens with which to view the data. Global uncertainty and volatility are contributing factors to both the rise of project advisory boards and the economic migration of expatriate professionals. Since 2019, there has been a 52% increase globally in organisations utilising advisory boards as part of their governance structure.

Growth remains the most common strategic priority for organisations seeking an advisory board. However, the methods for sustainable growth have changed. This is where the relationship between good governance and high growth potential comes into focus. Exploring and understanding this relationship sits at the very heart of the Global Research Council mandate.





The impact of advisory boards is an ongoing study within the Global Research Council. This report provides new insight to the business confidence index and positive impacts advisory boards are making. However, understanding “business confidence” is complex and an area for continued study.

The State of the Market global report provides an unbiased view of advisory boards to organisations, professional advisors that are engaged in the sector, and the wider support eco-system. As business owners, leaders and directors face increasing scrutiny from consumers, shareholders and regulators, ethical engagement and best practice must form the foundation to good governance with advisory boards.

“

**Global uncertainty and volatility are contributing factors to both the rise of project advisory boards and the economic migration of expatriate professionals.**

It is good to see optimistic voices within the sector continue to shine through. The ambitions and aspirations of business owners to build quality organisations are being matched by the motivations of advisory professionals to deliver value and impact. As this report has identified, across the globe, corporations are fortifying their corporate governance structures with fit-for-purpose advisory boards.

On behalf of the Advisory Board Centre and the Global Research Council, I am pleased to provide you with the latest edition of the State of the Market global report. I encourage you to connect with us and share your experiences as part of this impactful, global advisory community.

**Louise Broekman**

Founder & CEO, Advisory Board Centre  
Chair, Global Research Council





SECTION 1

# Advisory Board Foundations

# What is an Advisory Board?

An advisory board is a structured, collaborative method for organisations to engage external advisors. At its core, an advisory board is a “problem-solving model” and a “thinking-system”.

## MARKET TRENDS

Globally, in both business and corporatised environments, the complexity of navigating the future is stimulating the utilisation of project advisory boards – as a targeted thinking system to advance strategic priorities.

## MARKET INSIGHTS

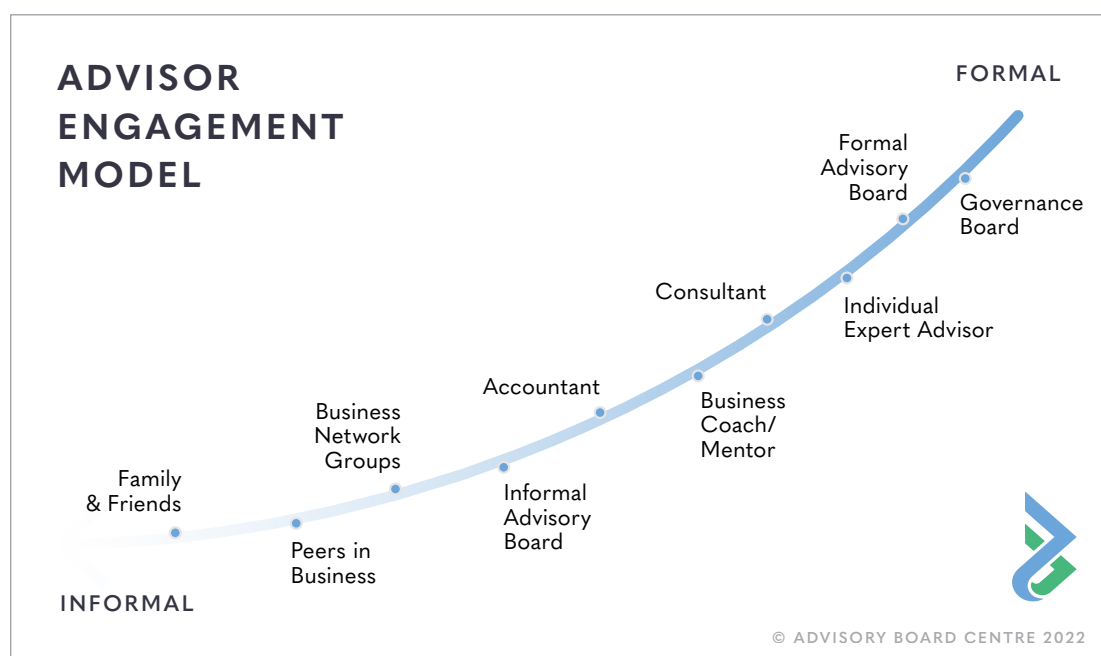
While there are many forms of advisory boards there are two quite specific and different applications that will be explored in this report: corporatised advisory boards and business sector advisory boards.



Throughout the lifecycle of an organisation, external advisors are engaged for various purposes in informal or formalised models.

While there is a loose correlation between organisation size and the likelihood of engaging a formalised approach, it is important to note that one model of engagement does not necessarily replace the other.

To improve the effectiveness and impact of the engagement of advisors, it is useful to identify the specific scope and select the method of engagement most suited to the situation.



The model above illustrates advisor engagement options available for organisations. In an informal context, organisations may engage or gain support from family, friends, or peers in business.

Organisations may also seek the socialised support models of network groups and informal advisory boards, where engagement is voluntary and often ad-hoc.

For projects or professional advice, organisations engage more formally with individual external advisors such as consultants, accountants, experts or mentors.

Advisory boards and governance boards provide a structured and disciplined longer-term approach for organisations to support potential.

## Best Practice Today

In 2020, on behalf of the Global Research Council the independent Best Practice and Ethics Advisory Board evaluated and endorsed the ABF 101: Advisory Board Best Practice Framework™. Carefully developed as a principles-led foundation, the ABF 101 Framework has enabled an ethical approach for the maturity of the advisory board sector for the future.



Organisations have a deep responsibility to meet stakeholder expectation of performance and social contribution. New demands to access knowledge, expertise & connections require foundations for ethical engagement. Independence will be key.

## ABF 101: CONSULTATION STAKEHOLDERS

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Government

---

Institutional Investors

---

Institutional Corporate Organisations

---

International Market Representation

---

Academia

---

Governance Board Directors

---

Incubators and Accelerators

---

Professional Services and Partnerships

---

Not-for-Profit Organisations

---

Advisory Board Professionals

## APPLICATION OF ETHICS

Since 2017 ethics development in the sector include:

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Best Practice Frameworks

---

Independent Market Education

---

Advisory Board Member Curation

---

Professional Credentials

---

Impact Measurement



### MARKET INSIGHTS

As the usage of advisory boards increases so too does the desire to understand and implement best practice. The ABF 101 Advisory Board Best Practice Framework™ has been accessed by over 3,000 professionals and organisations globally.



**88%**

of business leaders seek independent advice on structure



**95%**

organisations establishing an advisory structure are doing it for the first time



SECTION 2

# Advisory Boards in Practice

## Market Case Studies



### **Nestlé Scientific Advisory Board**

Independent panel of world-renowned academics and thought leaders with expertise in nutrition, food and health science to advise Nestlé on the company's long-term scientific strategy.



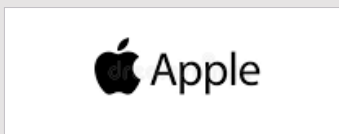
### **Oxford Alumni Advisory Council**

Provides an efficient way for alumni to voice their thoughts and add to the discussion on possible future directions for the School, serving as the eyes and ears of the Oxford Saïd community.



### **WNBA Advisory Council**

Established for the WNBA's 25th season, comprised of women's basketball pioneers and WNBA legends, to capture historic perspective, hear from legacy advisors and successful sports business people, and propel WNBA business objectives.



### **Apple User Group Advisory Boards**

Representing Apple users from first-time computer users to experts and from every profession, background and age to share experiences and insights into Apple products and technology.



### **UN Advisory Board on Economic & Social Affairs**

Provides focused guidance to respond to current and future challenges in the post-COVID-19 world, including in the areas of leaving no one behind, building trust by addressing inequalities, improve digital cooperation, ensuring sustainable financing and boosting partnerships.



### **Australian Space Agency Advisory Board**

A non-statutory, independent and skills-based advisory board to provide advice to the Head of the Agency and advises on the strategic direction and performance to support the agency to achieve its purpose.



## OTHER NAMES FOR AN ADVISORY BOARD

Advisory Council

Advisory Panel

Steering Committee

Think Tank

Board of Advice

Project Board

## COMMON CHARACTERISTICS

Independent Chair

Clear Scope and Charter

Fit for Purpose Advisors

Structured Meeting Schedule

Problem Solving

Conversations

Commercial Engagement of Advisors



### MARKET TRENDS

Advisory board adoption across all types and sizes of organisations is being driven by the flexible nature of the structure and an increasing focus on good governance.

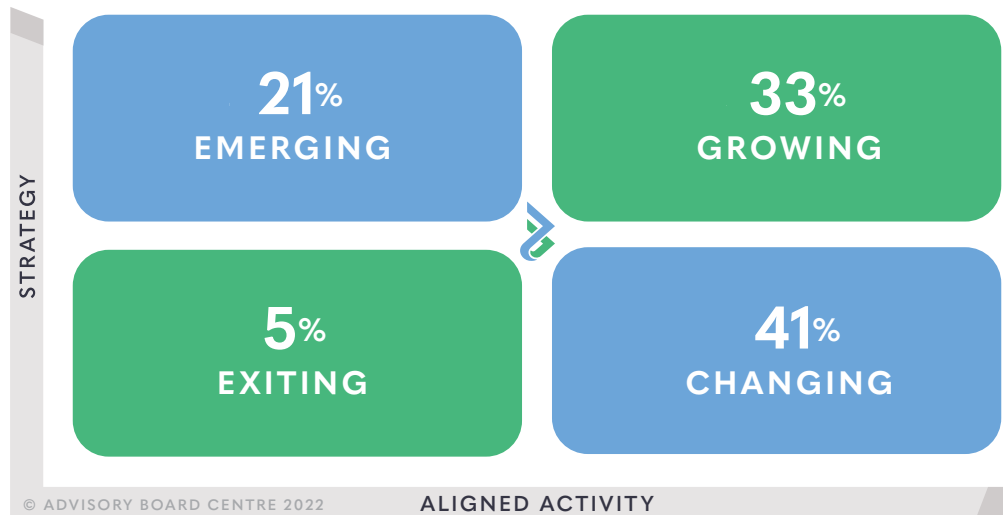
# Global Market Snapshot

Exploring the starting point for advisory boards provides insight into market demand. Where the function of an advisory board may evolve over time, the triggers to engagement helps to understand the organisation's initial motivations and needs.

## MARKET INSIGHTS

Organisations are more likely to engage an advisory board for insight and advice during periods of growth (33%) or change (41%). High growth organisations are the most common users of advisory boards.

## ADVISORY BOARD ENGAGEMENT BY BUSINESS GROWTH CYCLE



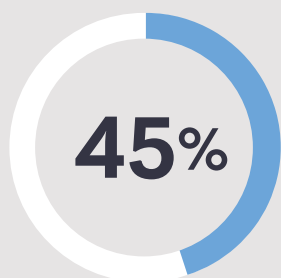
## MARKET TRENDS

Organisations seek broader insights beyond industry knowledge as this is often already present internally. Advisors, who are leaders in their field, should look to provide a broader view of sector dynamics.

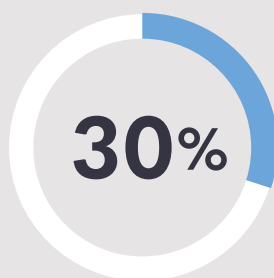




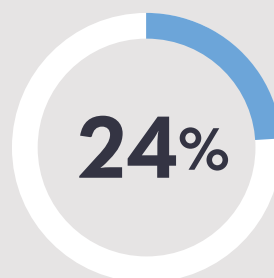
### WHAT'S DRIVING DEMAND FOR SECTOR EXPERTISE?



Technical problem solving

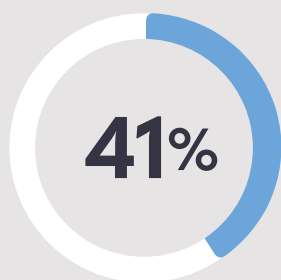


Future intent to be in a specific market

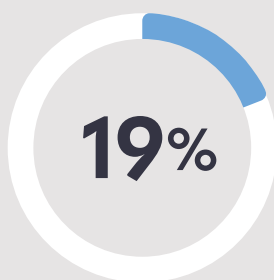


Market intelligence to explore new opportunities

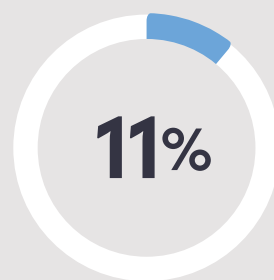
### ENGAGEMENT BY SECTOR<sup>†</sup>



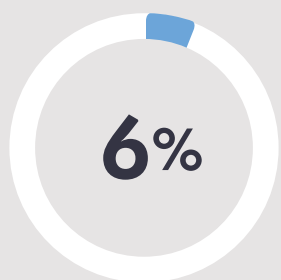
Professional Services



Industrial & Resources



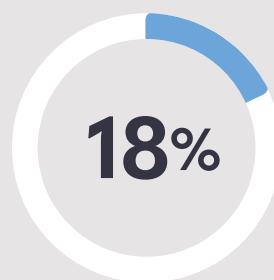
Health & Life Sciences



Emerging Industries



Food & Agriculture



Other Sectors

### INDUSTRY VS SECTOR

**Industry** refers to a specific group of organisations while the term **Sector** describes a large segment of the economy. For example, a business may operate in the technology industry but they belong to the professional services sector.

<sup>†</sup>Largest industry subset: Technology 14%

# The Rise of Project Advisory Boards

## WHAT IS A PROJECT ADVISORY BOARD?

A project advisory board is created to target advice for a time, location or strategic-based goal. Market examples include advisory boards engaged for a 3 - 18 month period to explore market entry, supply chain, crisis management, business model evaluation or investment.

Market or location-based advisory boards are one of the most utilised project advisory boards, where organisations are seeking in market experience, operations support, connections and localised good governance.

## MARKET INSIGHTS

34% of newly created advisory boards are project based, providing a strong indicator of the adaptability and effectiveness of this form of implementation.

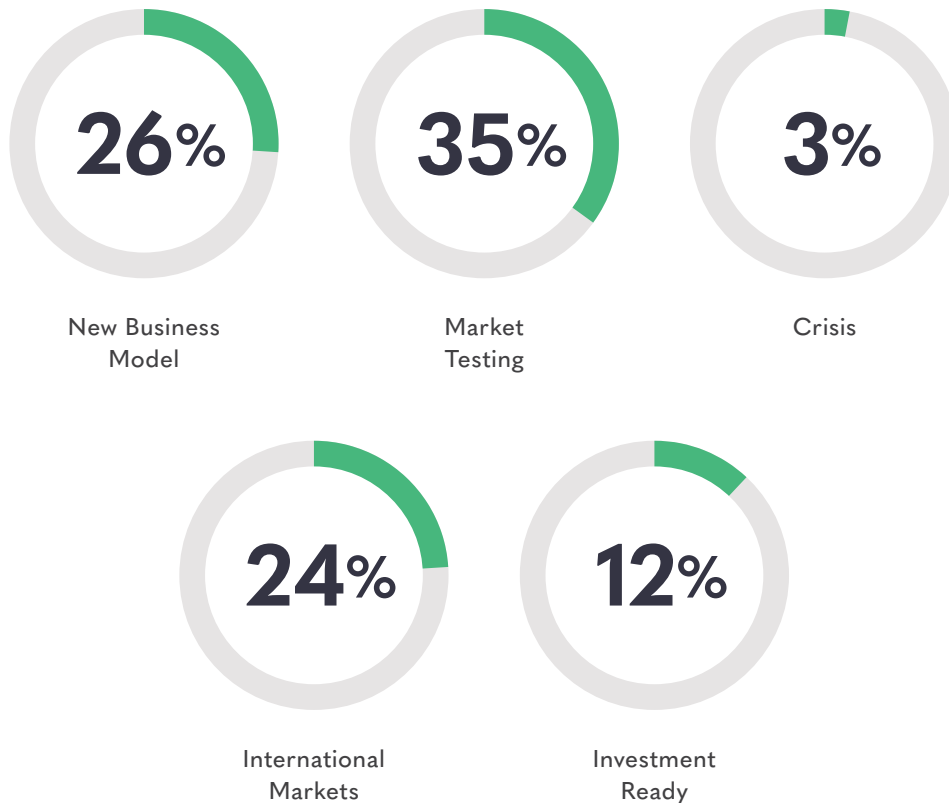
## MARKET TRENDS

Where organisations have gaps in internal mastery to effectively navigate change and confidently assess the associated risks, they will look for innovative and flexible ways to access external support with diverse skills and current knowledge.



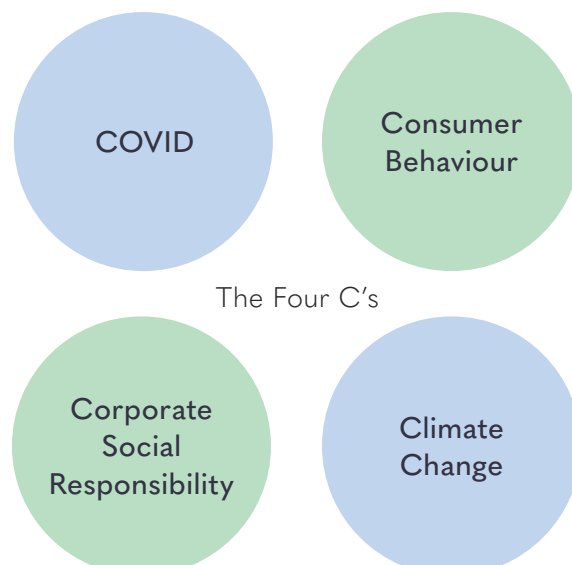
## FIT FOR PURPOSE PROJECT ADVISORY BOARDS

The most common project advisory boards have a clearly defined scope and impact measurement allowing for tailored advice to support the organisation in advancing their strategic priorities. Project advisory boards support business leaders to address the tension between informed decision making and rapid response.



## MARKET TRIGGERS FOR PROJECT ADVISORY BOARDS

Increasing consumer and shareholder activism, regulatory scrutiny and the impacts of “known unknowns” in the operating environment are creating the need for targeted conversations at a board level.



# Corporatised Trends

A corporatised advisory board is defined as an advisory board established within an organisation that has a well-articulated governance board.

## GOOD GOVERNANCE UNDER THE MICROSCOPE

The COVID-19 pandemic exposed new risks and existing weaknesses within organisations, specifically around supply chain, cyber security, workforce management and ability to rapidly respond to changes in regulation.

Gaps in knowledge, skills, or currency of information are a key area that increases both complexity and risk for boards. This is where execution risk is critical. Directors have the responsibility – and personal exposure.

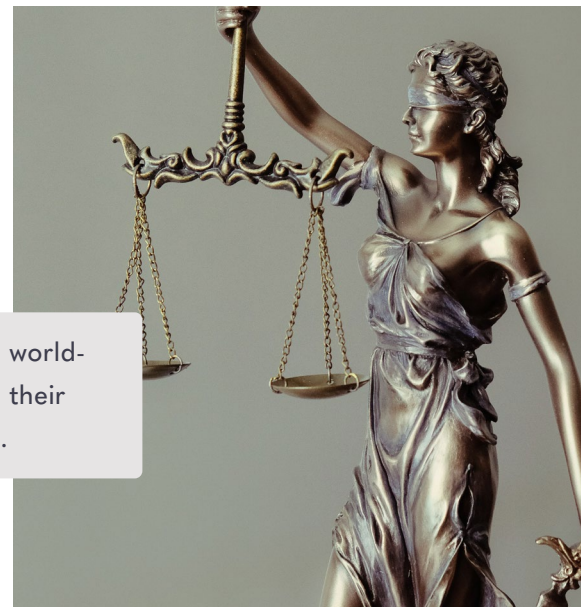
The directors and officers (D&O) insurance market is strained by increasing exposures for “known unknowns” such as climate change, cyber and corporate social responsibly challenges.

Volatility also creates growth opportunity for some market segments, with a 20% increase in merger and acquisition activity during the second half of 2020. Organisations may discover new growth or exit options but must carefully consider the impacts.

## CORPORATISED ADVISORY BOARDS IN PRACTICE

- International markets
- Innovation
- Supply chain
- Ethics
- Cybersecurity
- Diversity and inclusion
- Sustainability
- Change/transformational

While publicly-listed companies generally have higher exposure, worldwide there is increasing litigation risk for private companies and their management. demonstration of good governance will be critical.



## MARKET TRENDS

Corporatised advisory boards will continue to build as a bone-fide business practice to enhance good governance through ethical and independent input; to safeguard corporate executive teams; and to protect the social integrity of business, brands and people.

Organisations may in time reduce the size of their governance boards and create specialised advisory boards as an eco-system of advisors within one organisation. Government committees may adopt best practice from formalised advisory boards to drive stronger results and behaviour from committee members.

With the increased utilisation of advisory boards in a governance framework, boundaries are tested and a lack of good governance will be exposed. Adopting best practice will assist in providing transparency of purpose and role clarity internally and to the market for public organisations.



## MARKET INSIGHTS

Annual D&O Insurance premiums are increasing by as much as 229% – creating pressure on organisations and their directors.



## Business Sector Trends

The business sector includes private organisations from start-up to \$100m in annual revenue. Sole owners, partnerships, family businesses and high growth potential firms are highly represented in the sector.

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### EMERGING BUSINESSES

Emerging businesses traditionally engage advisors and mentors informally but there is now a shift to a more formalised structure. Incubator and accelerator programs are advocating for higher quality engagement of advisors within their programs.

In 2020, 29% of advisory board appointments were within the emerging business sector. This high level of activity was matched by volatility. Almost 45% of these appointments were postponed by the business due to lack of planning, resources, and clarity of expectations.

### ESTABLISHED BUSINESSES

The underlying story for established business is that of the business owner surviving their own ambition.

Established businesses are more likely to engage an advisory board during periods of change or growth. Key drivers for establishing advisory boards:

- Growth (74%)
- Succession planning (17%)
- Increasing asset value of the business (5%)
- Sustainability of business model (5%)

## COMMON ADVISORY BOARD STRUCTURE FOR BUSINESS



Two internal directors

Independent chair



Two external advisors



**\$1.5m**

Most common advisory board starting point



**\$18m**

Average size of business with an advisory board



**\$40-70k**

Monthly meetings with chair  
Quarterly meetings with full board

## BARRIERS TO SCALE

The barriers identified by business owners that were adversely impacting on achieving scale in their business can be grouped into four key themes.

### 1. THE DELEGATION THRESHOLD

When and how a founder begins to leverage other people's time and expertise.

### 2. NETWORK ACCESS

Being networked to access and actively engage with trusted advocates and advisors.

### 3. BUSINESS INVESTMENT LITERACY

Knowledge to navigate funders and financial arrangements to improve the overall financial position of the business.

### 4. THE EXECUTION GAP

Closing the gap between knowing and doing to ensure intent meets action.

#### MARKET INSIGHTS

There are two defined groupings within the sector: emerging and established businesses, with contrasting needs. The disruptive nature of an emerging business is at odds with the established business trying to cope with disruption.

# Advisory Board Impact

## THE STUDY OF ADVISORY BOARDS

The State of the Market report is the first sector-wide analysis of impact assessment for advisory boards. Can an advisory board take business results as their own success?

It goes to the heart of the nature of engagement with an advisory board stepping side by side with the organisation, developing confidence, facilitating thinking and conversations that may make a difference. If that has an impact – that is a success.

### + POSITIVE IMPACT

90%

Businesses overall reported a positive impact

+15%

Financial results

+30%

Business confidence

### — NEGATIVE IMPACT

10%

Businesses overall reported a negative impact

-6%

Financial results

-3%

Business confidence





**MEASURING IMPACT**

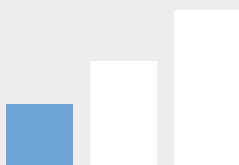
When there is a goal, there is a measurement. An advisory board measure is complex given organisational results are not necessarily attributed to the advisory board and may not be financial metrics.

Evaluating advisory board impact must take an unbiased view to understand the value (or not) of a particular advisory board structure.

**MARKET INSIGHTS**

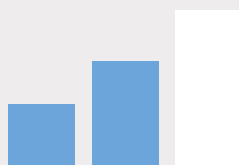
Results of this study evaluated perceived and measurable contribution of an advisory board to organisational results- both positive and negative. 35% of organisations indicate that they can quantify the impact of their advisory board.

**BUSINESS OWNER PROFILES – COMMON CONSIDERATIONS**



**Low Confidence**

How do I normalise revenue and brand beyond me?



**Medium Confidence**

How do I delegate and build controls to normalise the business model beyond me?



**High Confidence**

How do I learn to live with my business and develop my thinking as a director and investor?



SECTION 3

# Advisory Board Professionals



## Professional Snapshot

In 2021, more than 2 million professionals indicated they are currently engaged with advisory boards or promoted the role within their current job title on LinkedIn. In the majority of global jurisdictions, advisory boards are not regulated or legislated – creating a unique board-level ecosystem where participants may not be readily identified or promoted to the open market. In fact, this is often a challenge for many organisations as they express difficulty in identifying and connecting with qualified advisory professionals beyond their own direct networks.

Allowing for discrepancies in LinkedIn profiles to actual appointments and the most common structure of Advisors, the global advisory board market is estimated to be over 660,000 active advisory boards. This analysis provides a snapshot of professional engagement across all sectors and organisation sizes - from the business sector through to corporatised advisory boards. This represents a significant increase since 2019, demonstrating the active growth of organisations implementing an advisory structure and professionals being engaged with advisory boards.

**660k**

Advisory Boards  
Globally

**2m+**

Active  
Advisors

**52%**

Increase in Advisory  
Boards Since 2019



## MARKET TRENDS

Expatriates (professionals that have migrated to another country for work or financial gain), are increasingly seeking to return to their home countries.

Economic migration is not new, but the rapid increase in returning expats is accelerating due to effects of the 2020 global pandemic, rise of anti-foreigner sentiment due to economic shifts and increased protectionist policies.

Political instability combined with the reduction in multi-nationals recruitment budgets for hefty relocation fees and perks have all created an environment where expats are seeking ways to live local while working global - often utilising technology in lieu of travel.

## KEY CHALLENGES FOR EXPATS

Building a local network

Maintaining their global network

Demonstrating and leveraging the value of their international expertise and insights

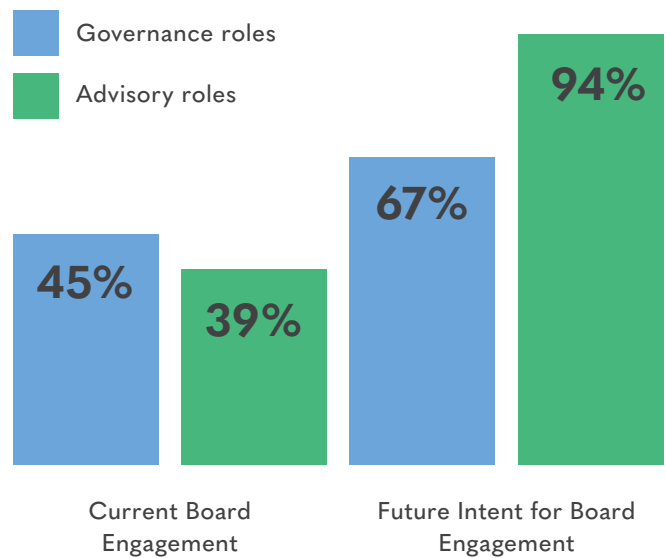
## LOCATIONS OF ACTIVE ADVISORS IN THE GLOBAL MARKET



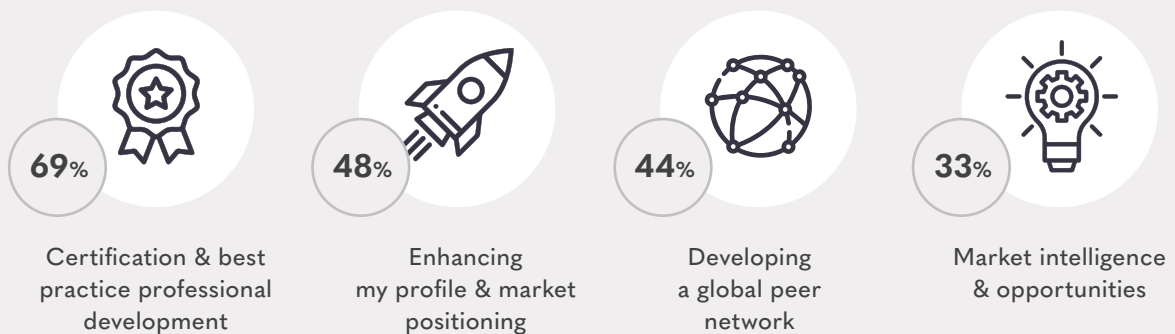
## The Professional Advisor

### SHIFT FROM GOVERNANCE TO ADVISORY ROLES

951 board-level professionals across the globe participated in research to understand their professional aspirations and motivations. The research found a distinct shift in how professionals are seeking to engage at a board-level – with an increasing move away from traditional governance board/director roles into advisory board roles.



### WHAT SUPPORT ARE PROFESSIONALS SEEKING TO ADVANCE THEIR PORTFOLIO?



## MARKET INSIGHTS

63% of respondents indicated deep experience in \$100m+ organisations, the traditional governance market, highlighting a distinct shift in attitudes towards personal risk and engagement.



## MARKET TRENDS

A portfolio career is when an individual pursues more than one income source in a flexible manner from full-time or interim roles to board-level engagements, creating a diverse portfolio of work and income streams.



# 5.5

Number of engagements in a portfolio

## SKILLS IN DEMAND

Effective advisors bring focus to the process of achievement within organisations by demonstrating these future-focused advisory skills:

- **Change Management:** Celebrate & lead change, being curious
- **Transformativeness:** Ability to learn quickly, innovate and make experiments
- **Technological Understanding:** Participate in conversations and make decisions about technology
- **Emotional Intelligence:** Perceive, understand and manage emotions – theirs and their team's
- **Diversity Leadership:** Being culturally intelligent, appreciate & leverage differences
- **Decentralized Leadership:** Collaborative decision making, work in teams, distribute tasks
- **Authenticity & Humility:** Build connections and trust, encourage others to shine
- **Sustainability:** Think globally, make a social impact, consider the "big picture"
- **Flexibility:** Accommodate the shifting demands of all stakeholders
- **Vision:** Produce visions and enable others to deliver these visions, create the future





SECTION 4

# About the Report

# Definitions

The adoption of clear, consistent and globally applicable definitions allow for a common understanding of the advisory sector.

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## Advisory Board

An advisory board is a structured, collaborative method for organisations to engage external advisors. At its core, it is a “problem-solving model” and a “thinking-system”.

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## Best Practice Advisory Board

A best practice advisory board is a type of advisory board with an independent Certified Chair™, a Charter, structured meeting protocols and annual impact measurement.

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## Informal Advisory Board

An Informal Advisory Board refers to an Advisory Board consisting of volunteer supporters with a very ad-hoc style of discussion and no defined meeting structure.

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## Good Governance

Good Governance is a practice of adhering to corporate governance principles by which an organisation is operated, controlled, and regulated.

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## Governance Boards

A Governance Board (also known as a Board of Directors or Statutory Board) is a group of individuals who are legally responsible for the governance, control, direction and management of an organisation. At its core, a Governance Board is a “decision-making model”.

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## Growth

Growth is the process of increasing in value, size, or importance over a period of time.

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## Growth Potential

Growth potential is tangible evidence of an organisation’s existing resources and persona that are perceived to create bigger future benefits for the organisation and related stakeholders.

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## High Growth Organisation

A high-growth organisation is an entity with a growing number of particular indicators (such as sales or headcount) over sustained periods (commonly three-years) and above the average industry or sector (annual growth 20% or beyond).

## REFERENCES

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2. Advisor Engagement Market Pulse Report; July 2019 – Louise Broekman; Advisory Board Centre
3. ABF 101: Advisory Board Best Practice Framework™ – Best Practice and Ethics Advisory Board, Global Research Council; Advisory Board Centre [www.advisoryboardcentre.com/abf101-advisory-board-best-practice-framework/](http://www.advisoryboardcentre.com/abf101-advisory-board-best-practice-framework/)
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7. Barriers to Scale, May 2020; Louise Broekman & Jan Easton, Advisory Board Centre

### How to Reference this Report

State of the Market Global Report 2021; Global Research Council; Advisory Board Centre; Research Lead – Louise Broekman

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## NOTES

### Advisory Board Global Market Analysis 2021 –

With the absence of direct information on the size of the advisory board sector globally, to gain insight into the size of the sector, a data sample was evaluated from LinkedIn of professionals working on advisory boards in 2019 and 2021.

**Advisor calculation** – A data analysis was conducted on LinkedIn Titles using two methods. Advisory board “current role” search. A validation test was conducted with 100 “current” roles in the Canadian market. This produced a 5% variability between the title “advisory board” and the actual current roles.

**Advisory Board calculation** – The study of advisory board structures from 2018 – 2021 identified best practice for advisory boards which included 3 external roles on average for formalised advisory boards. This includes an independent chair and 2 external advisors. This calculation has been applied to the advisor calculation method.

## IMPACT ASSESSMENT METHODOLOGY

A study of over 400 organisations from 2017 – 2021 was conducted utilising business assessments from Certified Chairs. Assessments include questions on the impact the advisory structure has had on the business in the previous period including revenue, profitability, productivity and business confidence.

In February 2021, an independent panel conducted an evaluation of the raw data and analysis. We acknowledge the panel members for their contribution:

|                  |               |
|------------------|---------------|
| David Camus      | Tahir Alam    |
| Denise North     | Kim Gilliam   |
| Eduardo Esteva   | Lyndon Walker |
| Mike Christensen | Sara Watson   |
| Nigel Hennessy   |               |

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Research studies are from control groups of businesses in a phase of either establishing or monitoring their advisory structures. Reliance is made on organisations and independent professionals providing validated information. The Advisory Board Centre is independent in the data gathering and cannot be held liable for use and application of information in this report.

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