

## *Success Tip #4:* How to Leverage Outside Advisors

### WHY SHOULD YOU INVEST IN AN OUTSIDE ADVISOR?

It makes good business sense for early and mid-stage companies to take full advantage of the experience and talents of outside advisors to help them manage specialized areas of their business. Many growing companies want to hire full time help as they start to meet their growth goals. There are several reasons why this may not make the best sense in every case:

- ✚ Early and mid-stage companies generally cannot pay enough to obtain the type of experience they need. When building a business, you really can't afford the months of training and the mistakes that will probably be the result of hiring less experienced personnel.
- ✚ You may not need a particular skill on a full time, permanent basis. It doesn't make sense to take on tax and compensation responsibility for long-term employees for a position that may only require a short-term effort.
- ✚ You generally hire to fill gaps in the knowledge of the company's executive team. If you hire someone who doesn't have the skill set you require, simply because you can't afford to pay the salary of a more experienced candidate, the company's executives will not be able to provide the needed training to the newly hired personnel.
- ✚ Early to mid-stage businesses, generally run by a few very bright and energetic entrepreneurial types, are limited by the knowledge and experience of their executive teams. It is VERY DIFFICULT for these entrepreneurs to look at the company they formed objectively. Bringing an outside view of the company into the mix is often very illuminating and can be very productive.
- ✚ An outside advisor can immediately put into play his/her knowledge and experience. By contrast, if developed from within the company, this knowledge and experience would take years to develop, dragging the business further behind its top competitors.

### PUTTING AN ADVISOR TO WORK FOR YOUR BUSINESS

Early and mid-stage companies are constantly evolving and changing. Having the right mix of talent on the management team is an ongoing challenge for these companies. Hiring an advisor is an excellent way to supplement the management team, when needed and only where necessary.

The correct way to utilize selected advisors is to hire them to complete a series of short term, well defined projects. Stay away from bringing in an advisor to “sit on the bench”. The following are some examples for how to use an Advisor most effectively:

- ✚ Advisors can help you gain the trust of investors and allow your business to attract the financing resources it needs.
- ✚ Advisors can help you refine both the short- and long-term execution of your business plan, making sure that you have identified a path for success in the near future and have a long-term goal for staying ahead of the competition.
- ✚ Your advisor can help you identify and then plan how to attack the sweet spots in your defined markets, allowing you to win at the customer level.
- ✚ You can also make very effective use of your advisor by allowing him/her to determine the right mix of resources, skills, networking, and knowledge you need to support immediate, short term business objectives.
- ✚ Your selected advisor can assess your company’s strengths and shortfalls with a clear, unbiased eye, and make recommendations that can save you money and time.
- ✚ An outside advisor can help your company look more mature. Some consultant advisors are willing to serve as temporary Vice President for a small retainer, giving your company the depth it may need to attract investors, key employees, and customers.

#### **LEAPFROG YOUR COMPETITION BY ALLOWING YOUR CONSULTANT ADVISOR TO FURTHER ESTABLISH YOUR CREDIBILITY IN THE MARKET**

By bringing in quality advisors, you will be in a better position to attract customers, partners, key employees, investors, and other pillars of your business development. In selecting an industry leading advisor, you will instantly make your management team more effective. Your credibility in the industry and at the customer level will be immensely elevated, enhancing your competitive posture.

#### **FIND THE RIGHT ADVISOR**

Advisors come from many walks of life. The recent downsizing of corporate America in the post 9/11 era has enhanced the availability of seasoned executive talent in nearly every skill area. Finding an advisor is not necessarily difficult. However, finding one that meets your specific needs and matches your company’s personality can be more challenging.

Assessing you by what you sell and where you are in your growth process, potential advisors may seek you out. You can also search the Internet for potential consultants and specialists to help round out your management team. Attending conferences will also help you identify talented consultant advisors who are looking to serve just the right company. You can also look for companies that are, or have been, in a similar spot and have used consultant advisors successfully and ask them for recommendations.

### REMEMBER THE OLD ADAGE: YOU GET WHAT YOU PAY FOR

While some advisory resources appear to be inexpensive or even free, in most cases you will, unfortunately, get exactly what you pay for. Relatives and friends may offer to help you and sometimes they do have valuable insights for you, but if you are serious about your business, you need to make the “right” investment in its success. Find an advisor who has the skills you need and is interested in you and your business. While a “free” advisor may seem like a true bargain, free advisors are like free advice, they aren’t always there when you need them, but they’re sure to be there if you don’t! In other words, if you don’t have a formal business arrangement with your advisor, you have no control over him/her.

### PAYMENT OPTIONS

You have several different options for paying your advisor. Some advisors will ask for equity in your business in exchange for advice and introductions. This would be beneficial to you if you are short on cash but are willing to release a small piece of your company down the road. This option is risky for the advisor, however, because he or she is investing in your willingness to do what he/she advises and the ultimate success of your business. Move with caution with your new advisor and do not rush into an equity based agreement. Concentrate on the results of assigned projects prior to discussing an equity or performance based agreement.

Another option is to pay your advisor a monthly retainer in return for hours invested in helping with projects you identify and assign. Advisors may be willing to craft an agreement that includes a reasonable retainer, with a “pay for performance” option.

A third option is to pay by the hour for actual hours worked. If you have a clear idea of the number of hours a project will take, and your needs are short term, this may be the best option for you. You can also cap the number of hours you want the advisor to invest in order to control costs. However, keep in mind that your advisor is dependent upon others performing as required to achieve his/her goals. Therefore, to some extent, the number of hours a project takes is not within the advisor’s control.

And a final option is to pay an overall project fee, based on a clearly defined statement of work. This payment option is based on time and effort as outlined by the Advisor up front. An experienced advisor will have a fairly clear idea of how long specified tasks should take. However, this type of payment is risky for the advisor because it doesn’t take into account things that are outside of his/her control and will require a reassessment of the original SOW or the creation of new ones if new projects pop up as the result of due diligence and project performance.

#### DOS AND DON'T OF WORKING WITH YOUR ADVISOR

Advisors bring years of experience and a clear, unbiased viewpoint to your company. A good consultant adviser takes pride in his/her capabilities and will care about the success of your business nearly as much as you do. But each time a consultant takes on a project, the success or failure of that project reflects on him/her. For this reason, an advisor is best served to walk away from a company that is not allowing him/her to succeed. With this having been said, there are certain unwritten rules to hold close as you begin to work with your carefully selected advisor. They are as follows:

**DO** treat your advisor like any other key member of your senior management team. You must have a united front on this. If one member of the company tries to undermine and ignore the advice of your knowledgeable consultant, every penny of the money you spend on this advisor is at risk for being wasted.

**DON'T** hire a consultant advisor unless you are serious about making needed changes. A consultant advisor is only as effective as you let him/her be. If you hire your advisor to complete a project and then don't give him/her the resources and support needed to get it done, you have tied the advisor's hands and guaranteed the failure of both the consultant and the project.

#### CASE STUDY: ANXIETY, INC.

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Anxiety, Inc. had been in business for a little over three years. Anxiety suffered from "analysis paralysis". The company was unable to make simple decisions without a committee review. They needed to dust off and refocus their business plan and build a sales organization. The company's goal was to capture a much larger part of the market and to create a 3 year exit strategy. They brought in an advisor who had 30 years of experience in business development, sales, and marketing. An agreement was struck between Anxiety, Inc. and the advisor, who had performed similar services for a competitor of Anxiety's and had been highly successful.

The advisor, knowing that his success depended on the company doing what it promised to do up front, made his SOW dependent on Anxiety's executives achieving the necessary first steps. Anxiety's executive team promised the advisor that they would pursue much needed funding to finance the necessary infrastructure for developing the sales and marketing plans. The company also agreed to update its website; develop sales collateral, pricing models, and contracts; and engage marketing and sales expertise to help get its business off the ground.

Four months later Anxiety had still not pursued funding and was pressuring the Advisor to make up the resultant shortfall in funds by pulling a rabbit out of the hat with sales. Of course, with the website still in limbo, the sales collateral still missing, and every other task they'd agreed to do sitting dormant behind a wall of indecision and reluctance, the

advisor's efforts to grow sales were frustrated. While some progress was being made, he couldn't possibly move fast enough to do what Anxiety's executive team wanted him to do: sell without the surrounding infrastructure. To make things even worse, a couple of members of the executive team were threatened by the advisor and his knowledge and were actively working to undermine him at every turn.

Eventually the advisor had to walk away. The company, which had been on track to grow and prosper under his careful ministrations, has now imploded from within and looks only to be on track to fall apart. Every penny of the money they paid their talented advisor was wasted and both parties walked away with a sense of having failed miserably.

It didn't have to end this way. The talented advisor they hired had performed the same service very successfully for Anxiety's competitor. But he could only be as effective as the company would let him be. Unfortunately Anxiety, Inc. wasn't as committed to its own goals as it needed to be.

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#### DEFINE THE TERM LIMIT UPFRONT

An advisor, like a board member, should begin work under the expectation that the relationship has a time limit. While it is certainly possible that your advisor will become heavily involved in your business and both parties will want to renew the engagement, you should set an initial time limit that reflects a reasonable timeframe for completing the project. With this predetermined term limit in place, you can transition a non-performing advisor out easily and painlessly.

#### WHERE TO GET STARTED

In the real world, growing businesses turn to Sales and Marketing Pros as a trusted advisor to better position their businesses to attract investors and key employees. Sales and Marketing Pros guides them through the process of revising their overall business plan and helps them build their sales organizations, allowing them to win investor support.

SMP's Opportunity Maximizer Workshop performs a full-scale assessment of your business plan, including your sales and marketing infrastructure. The workshop provides you with a gap analysis and steps to close the identified gaps. If requested, SMP can develop a customized statement of work to help you execute your ultimate exit strategy.

SMP also offers part or full time Advisory Services, including executive resources, seasoned business writers, design experts, and marketing and public relations resources; allowing you to just pick up the phone and request help as you need it. SMP is ready to work with you and your team to package your business so that it embraces the future.

With creative planning and packaging, you will win in the marketplace, at both the investor and customer levels.

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