

The Top 10 Mistakes When Hiring a Business Advisor

By Stuart Morley MBA

We have seen many business owners make mistakes when choosing and working with their business advisors. From this experience, we have created a list of the top ten mistakes to avoid.

Mistake 1: Friends and family as advisors

One of the biggest mistakes we see is the inclusion of friends and family in the business advisor team. We can't fault people for thinking that trust is important when choosing people to advise their business. However, unless you are willing to lose the relationship to achieve your business goals, you should avoid hiring friends and relatives. It is OK to become friendly with your advisors. This can work because the relationship starts as a business relationship. But when the relationship starts as a friendship, there can often be problems later when you disagree on a course of action or when the advisor makes a mistake.

Mistake 2: A prophet is never welcomed in his home town

It is often easier for a consultant to build their business with clients all over Canada than secure clients close to home. Don't be afraid to enlist the best advisors you can find — even if they are in your backyard.

Mistake 3: If it ain't broke, don't fix it

Just because you have worked with the same advisor for a decade or more does not mean you should continue to do so indefinitely. There is a high likelihood that, as your business has grown, expanded into new areas, or you have personally accumulated more wealth, your needs have changed.

Mistakes 4: The high price of free advice

Sure, there are plenty of advisors who will analyze your situation for free, hoping to dazzle you with their recommendations and seduce you into hiring them as full time advisors for your business. However, the goal of these people is to sell you something. The best advisors expect to be treated fairly and business advisors respect clients who pay for their time and advice.

Mistake 5: Hiring yes-men and yes-women

When we ask our most successful business owner clients what advice they would give to others in their situation regarding choosing important advisors, we received many suggestions: "Find experts," "Don't look for yes-men," and "Hire people smarter than you are." Successful entrepreneurs have wealth because they do one thing very well and use experts to do everything else.

Mistake 6: The business owner's time is more valuable than the hourly rate of top advisors.

To leverage their time, most successful business owners choose to hire experts in different disciplines to work for them. They realise they are paying someone less per hour than they earn running their businesses, and the advisors are getting the work done in less time.

Mistake 7: Not accepting that complexity requires outside experts

Seeking a specialist to help you with your health concerns may be obvious. However, we in the areas of business advice, business owners completely ignore this lesson.

Because business advisors are so fearful of bringing in another advisor who may steal the client, most business advisors will not admit their shortcomings to the business owner and the business will suffer. Unless this gap is addressed, the business owner will remain clueless as to what is really going on and the problem will not be solved.

Mistake 8: Failing to insist on advisor coordination

If you have a team of highly-experienced advisors and if these advisors are not collaborating to utilize their collective expertise to implement a comprehensive, multidisciplinary plan for your business, then the business will suffer significantly. Conflicting advice from professionals is often due to a lack of respect for what the other professionals do and the conflicting advice often leads to inertia or just plain bad advice that adversely impacts the business.

Mistake 9: Hiring someone who uses a blueprint plan

Many large business advisory firms offer cookie cutter solutions. In your research, you should talk to some of the advisor's other clients. If you find out that he or she is offering the same advice to everyone, then you will likely want to work with a different advisor. Remember, there is no one-size-fits-all approach to business advice.

Mistake 10: Failing to clarify the financial arrangements, scope of work and expected results ahead of time

You need to determine ahead of time whether you are paying a flat fee, a fee per hour or a success based fee and how that impacts the scope of work and expected results. Your business advisor is working for you. It is your money, and you need to ask questions so that you understand why he or she is suggesting the fee structure, scope of work or making specific recommendations and how those will help move the business forward.

Conclusion

Business advisors will have a significant impact on the success of your business. The best business advisors add tremendous value on an array of areas — from business decisions, to corporate and deal structure, to tax and financial results. Mediocre business advisors can severely harm your business and, in some cases, help drive your business into the ground. Therefore it is critical that business owners take seriously their process for hiring and evaluating advisors and look for second opinions where warranted.