



Choosing Business Advisors



Use outside advisors to give you
the insight you need to grow
your business



Learning Objectives

- At the end of this module, you will be able to:
 - Use a logical approach to successfully find a business advisor.
 - Utilize particular questions when identifying and interviewing potential business advisors.
 - Identify fees and costs for advisory positions.



About FDIC Small Business Resource Effort

- The Federal Deposit Insurance Corporation (FDIC) recognizes the important contributions made by small, veteran, and minority and women-owned businesses to our economy. For that reason, we strive to provide small businesses with opportunities to contract with the FDIC. In furtherance of this goal, the FDIC has initiated the FDIC Small Business Resource Effort to assist the small vendors that provide products, services, and solutions to the FDIC.
- The objective of the Small Business Resource Effort is to provide information and the tools small vendors need to become better positioned to compete for contracts and subcontracts at the FDIC. To achieve this objective, the Small Business Resource Effort references outside resources critical for qualified vendors, leverages technology to provide education according to perceived needs, and offers connectivity through resourcing, accessibility, counseling, coaching, and guidance where applicable.
- This product was developed by the FDIC Office of Minority and Women Inclusion (OMWI). OMWI has responsibility for oversight of the Small Business Resource Effort.



Executive Summary

- Part of owning a small business is relying on outside advisors for certain key functions of running a business, such as accounting, taxes, and legal advice.
- You may need outside advisors on one-time projects where you lack the in-house expertise or on an ongoing basis for areas where you do not need to or do not wish to hire in-house personnel.
- By using a defined process and asking specific questions, you can more successfully find and choose the right advisors.



Common Small Business Advisors

- Small businesses frequently use the following outside advisors:
 - **Accountants:** Provide services from bookkeeping to financial statements to complex tax strategies.
 - **Attorneys:** Provide help with contracts, leases, trademarks, copyrights, and special legislation.
 - **Insurance Agents:** Advise on liability, workers' compensation, disability, and occupational health and safety.
 - **Bankers:** Offer lines of credit, transaction processing, and investments.
 - **Others:** Marketing, technology, human resources, and other operational professionals.



Six Steps to Select an Advisor

- Follow these six steps when you want to select an advisor:
 1. Clearly define what you need.
 2. Gather referrals and create your short list of names.
 3. Interview two or more candidates.
 4. Check the facts.
 5. Clarify fees and schedule.
 6. Review and decide.



Step 1. Clearly Define What You Need

- Be specific about the type of service you need:
 - What are the elements of the service needed? Can you do any piece on your own?
 - Is your need general or specific?
 - What level of experience do you require (simple vs. complex)?
 - How much are you prepared to pay for these services?
- Write down other characteristics about this advisor that are important to you. Depending upon the service, you might include: responsiveness, candor, professionalism, creativity, attitude, location, etc.



Step 2. Gather Referrals and Create Your Short List of Names

- Go to these sources for referrals:
 - Colleagues and friends—your entire network
 - Current advisors
 - Professional associations (of the profession you want to hire)
 - Chambers of commerce
- Consider characteristics to shorten the list:
 - Small business experience
 - Length of time in their field
 - Experience with or exposure to your industry
 - Professional certifications
 - Reputation in the community
 - Fee structure



Step 3. Interview Two or More Candidates

- Meet with the candidates in person and ask them detailed questions:
 - Do they have a solid knowledge of your industry?
 - Have they addressed your needs before with other clients?
 - Are they anticipating your future issues and how to proactively handle them?
 - How do they approach customer service? (What expectations do you have for service, and can they agree to meet those?)
 - Can they provide references?
 - Do they have liability and/or errors and omissions insurance?
 - How do they charge for their services, and what do you get for that?
 - Are they a good “fit” for working with you and your business? (What are their core values and are they aligned with yours?)
 - How are their communication skills?



Step 4. Check the Facts

- Call the references and ask about the potential advisor.
- Verify professional certifications, degrees, etc.
- Check with the *Better Business Bureau* to see if there have been any complaints filed against this person or their firm.
- Conduct an Internet search of your own to read what is written about this person.
- If you have standard practices you follow when hiring an employee, use them for hiring outside advisors.



Step 5. Clarify Fees and Schedule

- For ongoing services:
 - Discuss and agree upon fees up front before the work begins and get this agreement in writing.
 - Clarify hourly charges, monthly retainer amount (and what that covers), and/or possible extra charges.
- For project work:
 - Have potential advisors submit a proposal in writing that includes the scope, schedule, cost (and payment terms), and description of deliverables.
 - Ask about information you will need to provide for them.
 - Discuss the allowed circumstances (if any) for canceling the agreement.
- Ask questions to clarify any aspect of the agreement that you do not understand.



Step 6. Review and Decide

- Compare your needs from Step 1 against the answers you have received in Steps 3 through 5.
- If the answer is obvious, then move forward with hiring the appropriate advisor.
- If the answer is not obvious, create a list of the five most important characteristics you need in this advisor, and then rank each candidate on a scale of 1-5 for each characteristic.
- If you are not satisfied with your choices, do not be afraid to go back and find more candidates. Having an advisor that you trust and can see being a part of your team on a long-term basis is an important decision.



After the Deal Is Signed

- Pave the way for a successful engagement: Provide information that is asked for, answer questions, update your staff on the new arrangement, etc.
- Review the advisor's work frequently, and provide clear feedback if your expectations are not being met.
- Reflect on the advisor's work at the end of the job:
 - If a one-time project, do a brief lessons-learned session at the end: Consider what went well and what did not, reflect on positive and negative aspects of the work, and ask yourself “do I want to do business with this person again?”
 - If an ongoing service provider, conduct an annual lessons-learned session.



Other Helpful Hints

- For accountants and attorneys, hire the individual, not the firm; make sure you have a good working relationship with one person and keep it going.
- Review other related OMWI education modules on the FDIC web site:
 - Creating and Sustaining Successful Alliances
 - Project Management Tips
 - Managing Independent Contractors



Key Takeaways from This Module

- Preparation is key to finding a business advisor that best fits your needs.
- Get referrals, ask questions, and follow up on the facts.
- You can never be too clear on fees and the schedule—clarify and get it in writing.
- Review the advisor's work to ensure that it meets your needs.



Sources and Citations

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