Why You're Wiser with an Adviser

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Long before Silicon Valley and tech accelerators, the Beatles knew a thing or two about finding the right startup adviser. Their 1965 hit said it all: "Help! I need somebody. Help! Not just anybody. Help! You know I need someone. He-el-elp…"

Every founder, no matter how sharp or motivated, needs some help, and a great adviser is a trusted sounding board, a reality check, a BS detector, a fresh perspective, and a sage confidant. A vital player in the early stages of your venture, this wise counselor might singlehandedly fill the role that your board of directors will take on down the line as your business grows.

An adviser is close enough to your startup to understand the challenges you're facing as you scale up, but has enough distance not to get mired in daily—and potentially soul-sucking—operations. This amazing person is probably someone you already know. You just might not have realized it yet.

'Money (That's What I Want)'

Sure, you can pay a raft of consultants to listen, strategize and sketch arrows and charts on every whiteboard in your workspace. But when a fee structure enters the equation, the relationship's dynamic shifts from sheer mutual goodwill to a transaction lacking the altruism that characterizes a meaningful adviser relationship.

Benevolence is at the heart of a productive founder-adviser connection. An adviser isn't sharing her expertise for financial gain. She's accomplished in her field and wants to pay it forward by helping others along the road, just as she was assisted in her career. To find an adviser like this, consider your favorite professors, an astute angel investor with whom you click, or a business school alumnus you've met networking.

You might try cold-calling some luminaries you admire in hopes that they'll be willing to advise your startup. However, the most productive adviser relationships I've seen have been built on established trust and connection. Working from an existing connection is more fruitful than trying to forge that bond anew.

'Not Just Anybody'

Many founders randomly pick up advisers over time, but I suggest that you be more thoughtful about your choice. Consider the areas where you're most likely to need advice and review the websites and LinkedIn profiles of your top candidates. Look for experience running a startup like yours and advising other founders, strong teaching skills, and service on boards.

You'll get the greatest value from an adviser if your communication style and approach are in sync. A relationship that's built on mutual respect allows you to open your decisions to scrutiny and lets your adviser offer honest feedback without fear of offense. All these prerequisites matter, of course, but goodwill is a key driver here. An adviser who wants to help you because he wants nothing more than to see you thrive is someone you want on your team.

When you ask a person you respect to advise you and your startup, explain what you're seeking. Give them a rough idea of how often you'd like to connect and how long you'll need. An hour or two every few weeks is reasonable, especially for a busy person. Use this time wisely; be organized and efficient when you connect.

'Don't Let Me Down'

Your adviser won't accept money—if she asks for payment, you might as well call her a consultant—but you'll want to show your appreciation for the support and level-headed advice that's prevented you from making cringe-worthy (or worse) mistakes. A token amount of stock option, typically around a tenth of a percent (0.01 percent) of your company, is an appropriate and typical thank you.

Make the relationship official with a short but sweet letter agreement that spells out the terms. Include the length of the engagement, the stock grant, and provisions governing confidentiality and intellectual property rights. (You're welcome to use this advisory board letter, available on the WilmerHale Launch website.)

The letter of agreement should include a "breakup clause" allowing either party to terminate the arrangement. This gives you a convenient out if you're not getting the support, guidance, and time you expected and allows the advisor to end the relationship if he doesn't have the bandwidth to help anymore. You might initially feel awkward asking your adviser to sign this document, but remember that it's not something he hasn't seen before.

Ideally, your startup will pick up capital and headcount and eventually need more complex counsel than your adviser can provide. That's when a board of directors moves to center stage and helps lead your startup down the long and winding road to a liquidity event.

—By Gary Schall, WilmerHale

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