

Tips for Picking An Outside Adviser

ADVICE FROM THE INDEPENDENT EXPERT

When Does It Make Sense

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My experience over the years as an independent advisor to companies and their management suggests that often times, management initially resists advice from an independent third party advisor. The usual reasons are:

1. The services of an outside advisor are costly and perceived as unnecessary.
2. Management believes it has a greater understanding of the inner workings of the company's operation, customers, vendors and employees.
3. The outside advisor often lacks specific expertise in the industry, but rather, is a generalist and often credentialed as an accountant.
4. The risk that mismanagement will be discovered and jobs are on the line.

As a result of these primary and other concerns, the decision to seek outside advice is sometimes delayed to such an extent that decisions, which are made in the interim, are often wrong and based on a lack of, or inaccurate facts.

In the business problem solving process, as in life, the more facts one has, the more accurate the conclusion and ultimate decision: lacking all the facts or making decisions based on inaccurate facts will lead to a wrong decision time after time.

The properly credentialed and experienced outside advisor is critical at an early stage of the decision making process. The advisor's experience can be tapped as needed throughout the problem solving period with restrictions on time to be devoted in those areas where management seeks support. The extent and nature of the services should be well defined in an engagement letter that is specific to the role the advisor is expected to play, the time spent in performing the role and the cost, either on an hourly or flat fee basis.

The flat fee speaks for itself. The hourly rate should be established and these fees should be billed weekly, supported by detailed time registers clearly describing the services and the time spent on each area. While most professionals break out time registers in tenths of an hour, it is usually unnecessary to break time registers in smaller increments than quarter hour segments for these types of services.

Keeping the cost down is one of the ways management can justify engaging outside support for the problem solving process.

Long detailed reports, memos, financial statements, etc., can be reduced to summaries. If the outside advisor is the right choice, they will quickly arrive at the "bottom line" of the problem and based on the summary, be in a position to offer suggestions. Some will confirm management's assessment and solutions, others may not and should be able to clearly explain why that course of action is possibly not the best. Either way, management has purchased a valuable tool.

Beware of the advisor who seeks long term engagements, equity, a bonus, full time employment or a board position. These are not the kind of advisors who are usually the most valuable. When the advisor promotes any of these areas, he begins to lose his independence and, as a result, his objectivity, and seeks to serve himself rather than the company.

The time to bring in an advisor is when problems first begin to unfold. Similarly, a general surgeon solicits assistance from the specialist during surgery, and then resumes care of the patient once the surgery has been performed.

In the problem solving process, which in itself takes time, time is the most valuable ingredient. Better early than late for engaging the outside independent advisor.

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