**Choosing a Mentor/Advisor**

Unfortunately, almost every business person considers themselves to some degree to be an advisor/mentor. Because new entrepreneurs don’t yet know what they don’t know, anyone who seems confident, drops a few names and uses business lingo looks like the tip of an iceberg of knowledge. I’ve even met venture capitalists with Ivy League MBA’s managing large funds that obviously didn’t have a clue how to create a business from scratch. Being able to analyze financials and predict how more capital will accelerate a proven business model is a very different skill from building that model from nothing but unproven assumptions. A growing problem I see today is host of “advisors” who literally con promising startup founders out of big chunks of equity for the “services” they promise but then provide very little real value.

For these reasons, as a general rule, I buy my equity. I tend to only formally advise/mentor companies that I have invested hard cash into. If your mentor is a serially successful entrepreneur then he or she should have plenty of cash on hand. And if they really believe in you and what you are doing then they should be willing to invest. If they are confident in their ability to help you move your needle then they should be comfortable investing. I believe a real mentor is one with skin in the game in term of money and services and not just the guy trying to make a living off someone else’s sweat equity and risk taking.

Even some successful entrepreneurs make really bad advisers because they sold their business back in the 90’s and think nothing has changed since then. In fact, everything has changed since then. If you have not been involved with marketing, sales, fund raising and technology in the past ten years then you actually know very little about how this is done today. Would you hire a programmer who has not written code in fifteen years to advise your coders? I hope not because he or she would have a massive learning curve. A great advisor is not some mostly-retired elder statesman with a deep tan who pops in once in a while and tells you stories that all begin with some variation of “and then my brilliance was further demonstrated when I…” A real advisor/mentor has dirt under his nails. He’s still in the thick of it all day everyday and at the top of his or her game. He does it not because he needs the money or something to do but because it’s in his blood and he can’t do anything else and be as happy.

**The perfect advisor in my book:**

1. Serial startup successes (anyone can get lucky once)
2. Recent hands-on business experience.
3. Subject matter expertise i.e. Healthcare, sales enablement, pharma, e-tail, higher ed, etc.
4. Great recent reference from company founders. (past performance is always the best predictor of future performance)
5. Willing to invest both his time and money. (serious money not a token amount)
6. Willing to advise but forces you to make the hard calls.
7. Ready to drop everything and jump on a plane with you when the opportunity is big or the damage unthinkable.

When you find this person then you have a real mentor.

**Some sections from my book on choosing and compensating an advisor:**

Some entrepreneurs are always looking to a board member or advisor to make the hard decisions for them. It does not help that some advisors view themselves as the source of all wisdom and actually take offence when entrepreneurs disagree with their counsel or choose to go a different direction.

My advice to entrepreneurs is to trust yourself. I know what it’s like. You live your startup every single day. You think about it as you fall asleep each night. In a short time, you will have sat through hundreds of meetings and witnessed firsthand the exact moment when a prospect’s eye brow raised or forehead wrinkled when something was said. No advisor is living this the way you are. You are the best and most qualified person to make the hard calls in your business. I challenge my entrepreneurs. I ask them to review the metrics. I may even tell them a sad story about how I once screwed up doing something similar, but in the end I encourage each entrepreneur to go with his or her gut. Listen to all wise counsel and debate the hell out of important decisions, but then make the call that feels right to you even if you can’t explain exactly why. Regardless, once you make that call, it’s the right call and any advisor or board member worth his or her salt will honor and support that decision.

Negotiating an advisor’s compensation can be tricky because you have to estimate how much value and time each will contribute in the future. A lot of “advisors” go on and on about all of the contacts they have and how much they can do for you. But, on several occasions, after I gave some of these guys a nice chunk of options, very little of the value they promised was realized. Because of these experiences, I started negotiating with stock option grants that were awarded based on actual hours worked each month up to a maximum amount. In order to get their options, my advisors were required to send an email to me each month stating the hours they worked that month. Advisors were reluctant to put a large number of hours down because they knew that I’d ask what they did during that time. If advisors push back on compensation structured this way then explain to them that you like this approach because it makes sure that each advisor is compensated proportionate to their level of involvement.