You Need an Advisory Team More Than Ever. Here's Why — and How to Run One Effectively.

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For founders, building the right team is critical to lasting success. But the right one isn't always what we assume it to be, and choosing wrong can prove detrimental at best to a start-up and ruinous at worst. In fact, in his 2021 Harvard Business Review article "Why Start-Ups Fail," Tom Eisenmann, Howard H. Stevenson Professor of Business Administration, notes that "a broad set of stakeholders, including employees, strategic partners and investors, all can play a role in a venture's downfall." Put more bluntly, a "dream team" may end up being a wolf in sheep's clothing.

A critical component of this group should be a war chest of related experience, along with a high degree of self-awareness, emotional intelligence and on-the-ground maturity. Strong advisors will also integrate well with the cultural and leadership dynamics of a start-up — keeping it consistent with founders' visions — and provide a non-biased and knowing perspective when offering direction on integral decisions.

For founders, the need for strong advisors early is more pronounced today than it was even five years ago. A quick look at Forbes 30 Under 30 Venture Capital 2024 makes it clear that many founders are now being funded at notably early stages of their careers, without a host of prior ownership cycles to reference. And there's much on the line: According to Carta,

the median early-stage seed check from venture capital firms in 2023 was $3.1 million, requiring greater founder-led financial responsibility earlier. Products, meanwhile, are continuing to become more specialized and complex, requiring a heightened level of subject matter expertise. All of this can increase the progress-based burn rate while shortening the time horizon for success.

All these dynamics make it even more imperative for founders to identify and hire advisory boards early on, and when they do, they *must* get it right.

Here are key ways of attracting, hiring and retaining the best.

1. Understand the puzzle and identify missing pieces

Every company is unique, with its own strengths and weaknesses. A 20-year-old founder may sport a high level of intelligence yet lack a track record of creating multiple companies and the necessary years of subject-matter-related development. An industry veteran, meanwhile, may be less in touch with next-gen consumer behavior. As a founder, it’s vital to assess your company’s early-stage landscape — identify areas of strength (the same qualities that likely led others to invest in you), spot the gaps, and hire advisors with particular relevant expertise to address them.

2. Develop an advisor-specific compensation system

A founder’s inclination may be to formalize an advisory team only when a company is big enough or far enough along and instead be inclined to form an informal team of familiar colleagues early on who offer services and support free of

charge. While this may buy time and save money/dilution in the short term, the reality is that it will ultimately amount to a lower value-added during a critical period of early development. A better move is to create an advisory compensation system – from the start – so that a team feels truly invested in the company and, in turn, can be held accountable. That can include a percentage equity grant and associated timeline (usually one to two years). The amount to grant depends on two factors: the value-add of the advisor (time and expertise) and the stage of the company (the earlier on, the higher the grant).

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3. Create a mutually agreed-upon goals list

As a founder, the more clarity you provide to an advisor, the more empowered they will be to add value. So, before signing an agreement, you and a prospective candidate(s) should create a set of goals and expectations. The latter can include an estimated number of hours dedicated per month, required percentage of attendance at meetings and general availability for advice and reference calls. Outlining goals will be more akin to a high-level job description or a position overview. It will also identify critical areas where a candidate plans to add value, along with a map of how they intend to execute accordingly.

4. Introduce advisory team members to each other and communicate frequently

Once your team is identified and hired, it's essential to then host a meeting that allows members to get to know each other.

The more each person feels a part, the more they will operate with investment. In addition, it's important to remember that the sum is greater than its parts: a multi-member brain trust usually results in members devising better solutions than if they worked independently.

Also, provide regimented communication cycles (with updates) that offer realistic assessments of the current state of company endeavors. Sugarcoating a challenging experience will only hinder an advisory team from adding critical value.

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5. Continue to evaluate your team, and don't hesitate to make changes

As founders, we can become emotionally attached to advisors; after all, they are mentors, advocates and stewards who helped raise and nurture our "baby." But as that infant grows, needs naturally change. A company may increase in size, pivot product category, or align with a new partnership vertical. Some advisors may be capable of growing with you throughout, but others will not, so they need to be assessed on a regimented basis. The right team is not always simply the *available* one.

As we view today's founder through a 21st-century lens, we are reminded that no one founding person or group of people can do it all. That doesn't change the market demand and associated expectations, however. With make-or-break nearly always on the line, a properly established advisory team is often a foundational ingredient to lasting success, provided it's built the right way.

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