

How to Select and Manage Professional Advisors



SWAN MOUNTAIN
CONSULTING GROUP

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Topics of Discussion

- Quick Introduction
- Key categories for professional services for outdoor recreation companies
- General Issues related to professional service provision
- Specifics by Category
- Pricing guidelines for services
- Trends observed in the performance of advisors in the last 12 months
- Conclusions

Quick Introduction

- Founded Swan Mountain Group
- CPA for 25 years, consulting for 40 years, currently National Practice Leader RSM US, LLP Business Transition and Advisory Services Group
- Have advised on over 375 buy/sell transactions in last 30 years
- Currently consult on transition planning, buy/sell of businesses, strategic planning, entity structure, and business process improvement (BPI) for ORCs
- 16th year presenting at AO



Categories of Professional Service



Lots of Ways to Spend Your Money!

- CPA, accountant or bookkeeper. In house or outsourced? Tax versus financial accounting and consulting?
- Investment advisor, financial planner, estate tax CPA/ attorney → which one?
- Attorneys → For what? Litigation, corporate, HR, insurance, real estate, estates and wills, transactions, regulatory
- Insurance → What type? Health care, P&C, life, commercial liability. And, for what industry?
- Consulting → For what? IT, marketing, social media, advertising, performance improvement, retail performance, regulatory relief, government contracting, buy/sell, strategy

Lots of Ways to Spend Your Money!

- What, there's subcategories to consulting?
 - IT → Hardware/software installation, accounting, reservations, HRIS, POS
 - Marketing → Digital, SEO, social media, traditional methods, advertising, couponing
 - Performance Improvement → Risk management, profitability, customer service, operational efficiency
 - Business Development → Retail performance, government contracting, customer/market development, product/service development

Lots of Ways to Spend Your Money!

- What, there's subcategories to consulting-more?
 - Transition → succession planning within family, sale to third party, investment banking, business brokerage
 - Strategy → Strategic and operational planning, leadership development and governance succession
 - Wealth Building → Financial planning, tax structures and entity layering, family office



**General Issues
related to
professional service
provision**



Core Rules for Use of Advisors

- They must have the requisite experience:
 - How many, how complex, what role did they play, how long ago?
 - Industries served
 - Client list
 - References are essential as are interviews of personnel
- Know how much it costs, but don't look for best price
- Get in writing
- Set the scope, define the minimums and maximums, you must define what success looks like



Core Rules for Use of Advisors

- Show up prepared, and be willing to disclose your details
- Check the consultant's availability, it must align with your needs
- Have them sign a letter of confidentiality
- Perform due diligence, check license and reputation status
- Need to define who is going to do what. Crucial that they are all on the same team, you define who will handle each part
- Don't let the lawyers over legalize, and the accountants over tax plan. If left unchecked both can put efforts into areas where the juice isn't worth the squeeze



Common Pitfalls When Selecting a Professional

- Hiring Consultants for something not tied to strategy
- Hiring an individual instead of a team
- Not understanding how an advisor is paid
- Choosing the first advisor you meet or one that has slick marketing or you liked their presentation
- Making a decision without your significant other and/or others in your organization
- Not having a contractual agreement
- Failure to conduct background checks



Some Critical Points for Certain Types of Advisors



Investment Advisors vs. Financial Planners

- They are not the same
- Whenever anyone economically benefits from what they sell they are not objective
- Do you need good investments or a comprehensive plan?
- Critical that they play nice with your CPA and estate attorney



Lawyers

- Jack of all trades is a master of none!
- There is a reason why there are so many attorney jokes.
- Specialization in application of law, frequency of those applications and industry expertise is mission critical.
- Unless you are a peanut deal, you should never have just one attorney to do it all.
- Lack of expertise or experience has never stopped an attorney from providing a strong legal opinion
- Set expectations: Don't overlook the small details
- Remember you are the ultimate decision maker



Insurance

- Specialization once again is critical
- Single market representation or multiple markets?
- Brokers are supposed to be your advocates, if they don't fight for you, who will?
- Ask questions and read the policies, so many mistakes are made through lack of understanding of the complexities of your operations and the nuances of risk.
- Be wary of upselling



Consultants

- Specialization once again is critical
- Contrary to what they will have you believe, their expertise in another industry isn't the same as recreation. Don't be the trainer!
- References, references, references!!!
- It is so critical to get a SOW → Statement of Work, make sure it nails your expectations and you are super clear on costs
- Never has there been a category of professional service where under qualified people provide less than requested services for more than expected fees than consulting
- Be wary of upselling



Pricing



How Do They Get Paid

- Concepts of a billable hour, what do billing rates mean?
- Time and materials versus retainer?
- What expenses are passed through and are there markups?
- Can you negotiate fees?
- What should their bill look like?
- What is value billing?
- How much profit is in professional services

Utilization rates are the best barometer for measuring productivity and revenue.


$$\frac{\text{BILLABLE HOURS}}{\text{AVAILABLE HOURS}} \times 100$$

Improving utilization rates has an immediate impact on the corporate bottom line.

**Trends
observed in the
performance of
advisors in the
last 12 months**



What is Happening???

- The dearth of qualified hires in professional services is at a near critical state
- The number of experienced veteran advisors in all categories retiring in the next 5 years will be staggering
- You want it when? Ha, Ha, Ha → They simply don't have the capacity to handle the work, poor paying/performing clients being dropped left and right
- The number of mistakes in all categories due to turnover and inexperienced hires is on the rise
- Price increases have been material, and will continue to be





Conclusion

- The best operators surround themselves with talented people that bring skills the owner/operator does not have
- Picking the right sized firm with the requisite skill set and industry expertise is what you seek
- It has been proven over and over that the right selection of advisors saves money, usually covers the fees paid and results in growth and superior performance.
- Likewise, pick the wrong one, or fall subject to the pitfalls, and they will take you in the other direction

Questions & Answers



Thanks!

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