

Ep #15: Why You Need a Board of Advisors



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With Your Hosts

Dr. David Phelps and Evan Harris

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Ep #15: Why You Need a Board of Advisors

You are listening to the *Dentist Freedom Blueprint* podcast, with David Phelps and Evan Harris. Navigating you through the uncharted waters of a turbulent economy with straight-forward advice to, transform your practice into a self-sufficient cash machine, compound your net worth assets, and multiply, multiply, multiply your passive cash flow streams.

Evan: Well, good day to you. This is Evan Harris and with my good friend, Dr. David Phelps. Dr. David Phelps, are you on the line?

David: Evan, I am here. I am ready to go. Let's make this a fun one today.

Evan: Let's do it. All right. Today is a topic that I rarely hear within the topic of entrepreneurship, within the practice professionals, but I think it's one that you bring up that really adds a lot of value and also stability and can avoid a lot of pitfalls, and that is the topic of board of advisors. It looks like that wouldn't be necessary, that it would only be applicable to large corporations like GE that has them, Toyota, all of the big boys and big girls that would have this type of infrastructure. Are you talking about that type of board of advisors? As a practice professional, or as even a real estate investor, where would that apply?

David: Well, I'm not talking about the same kind of formal board of advisors or board of directors that those kind of large corporations would necessarily have, Evan, but it's the same concept, the same concept, and we'll just talk about how we can fit that in to who we are as maybe small business owners, professional practice owners, real estate investors, what that means to us to have a board of advisors. But here's my point, if a board of advisors is apparently a must-have that is something that any major business or corporation would never think about not having, then what would be the reason that we, as dentists and small business owners, wouldn't want the benefits of having something similar?

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Evan: Uh-huh.

David: See, as entrepreneurs and small business owners, we're all good about building a team. We know we need to have employees or contractors, people on our team, a staff. We know that's a critical component to our business, but most of us never build a team of advisors. That would be specialists, experts in other related business areas, other business owners from outside our own industry. Examples may be attorneys or CPAs. That's a big mistake to forego that opportunity, because Evan, you've seen it. I've been there. I've seen it many times. Your business is either growing, or it's declining, and how can you grow unless you get the perspective of the outside eyeballs on your business? You and I as business owners, we're too deep in the day-to-day of what we have to do in our businesses. It's the concept of the forest and the trees. We're down in the trees, or sometimes people say you're in the weeds. You're down deeper than where you have to be as a business owner, typically, and from that perspective, we can't see the big picture. That is the forest. You know, the big picture is important. We have to see that, because if we don't, we're in that maze down in the weeds or in the trees. We're in that maze, and don't know really which direction to turn, which way to go, and we need outsiders with knowledge and experience not necessarily specific to what we do, but those that have that experience and wisdom that can look at our business, our endeavors, where we're headed, and help us get clarity and focus, and sometimes it's all about having those kind of people ask us the right questions. In other words, if I put something out there, Evan – let's say I need an associate in my practice – and this is something we've covered on other podcasts, but you always talk about, Evan, you need to have a reason why. If you're going to do something, what's your reason why? What's your goal? Where are you trying to go with this? And most of us, and again, I've been so guilty of this in my life, is I see an idea, which I call the bright, shining object, and it's like wow, I need to do that. I should go do that. It's like well, you need

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somebody to back up and say okay, great. I'm glad you have a great idea. Let's talk about why. Let's drill down, and you need that kind of person, that feedback loop to help you say okay, is this a good thing to do? If it is, then I need some more clarity. Maybe it's not. Maybe I need to pull back and put that in a file that says, "Great idea, but not today."

Evan: Uh-huh, uh-huh. Okay, so let's say that our listeners here are listening and think okay, I've never thought of this before, but I'm willing to do that. I'm willing to kind of assemble a team of advisors or be willing to be contributing as an advisor, maybe under a reciprocation type of relationship. David, who should be on this team of advisors, and I would also think equally important, who should not be on this team of advisors?

David: Yeah, that's a great place to go here. So a good place to start would be a diverse number of people, and these would be people who already believe in who you are. In other words, these are the people you know in the community. It could be in your church, other social circles, but these are business people or professionals who already know something about you, and they believe in you. So there's already some likeability, some trust, some relationship there. They like you. They like your vision. They want to help you because they like you. You want people, Evan, who are not only accessible, but who also will show a commitment to your success. Obviously, close friends might not work since they might fear that if they were really totally honest with you, they might hurt your feelings. Because you want people that can be honest. You want people to be able to just tell you sometimes you know what, David, that's a bad idea, and here's why, and for me not to be taken back and say oh, my gosh, you know, I thought we were friends. That's not who you want on your board of advisors. You want them to be able to give you authentic advice.

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Then on the other hand, if you're going for a high profile member, that is somebody who has high status in your community, maybe like the mayor or somebody like that, just based on popularity, that might backfire, because that person may be so busy in everything else that they do in the capacity of their involvement, they can't really commit to being there for you on the basis that you need your advisory panel, your advisory board. If you're a small business, and your goal is to grow, you might want to bring in someone who has experience consulting with large companies, or has previously worked for a larger company. This type of advisor may have extensive knowledge as to what works and what doesn't in terms of growth, because we both know that while everybody seems to want growth, there are sometimes pitfalls with that growth. How do you expand? How do you add capacity, and how do you finance? A lot of those things that need to be looked at, and if you don't have that experience, then you need someone who has that.

Or maybe you bring in someone who has experience in buying companies, adding value and then selling them. This type of advisor would be used to evaluating companies and could help you focus on the areas that if you improved or you built out, would be the most value to your company, your practice. Whether you intend to sell or not, retire or not, it's still valuable information to have. So those are some examples of how an advisory board could work for you.

Evan: Okay, thank you. As I'm listening to this I'm thinking how many of these people do I need on my board, and do I pay these people, and if I do pay these people, how much am I paying them?

David: Yeah, in the beginning with a smaller business like most of us have, Evan, it might be difficult to pay them. But later on as your business grows, it prospers, it may make sense to cover their expenses or give them some perks. Like maybe if you're going to have a board of advisor meeting, and I typically would recommend having these

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on some kind of a regular basis. It could be quarterly. It could be twice a year, but whatever that is, go to some place – and you don't have to travel to Hawaii or somewhere like that, but it can be within your own metroplex area, but maybe you pay for them to go, and you spend that day. Maybe it's just a day, and it's in a nice area, nice hotel, maybe, where you provide them their lunch, that kind of thing, as you grow. Or maybe once a year, you have a better destination meeting. So it gives them some perks to be along for the ride with you, so that's one way to avoid not necessarily having to pay some kind of a regular compensation. When you go to ask someone to be a part of your advisory team, you need to be sure to tell them kind of what you're up to, why you chose them, and really what the expectations are. Back to that meeting of the minds, expectations.

Evan: Uh-huh

David: Here's what I'm looking for, John Smith. My business is building. I'm in growth mode, but I could really use someone with your experience in, let's just say, the CPA who has experience in growth, and I need your experience with that, because I know you look over the shoulders of many other businesses similar to mine, and you've seen the pitfalls, and I really could use your help in that area. So here's what I need from you and have you be available to meet four times a year, and could I get you on the phone or by email occasionally? Not to interrupt their business, not to make life difficult for them, but you've got to set that up front. I suggest, too, sometimes, Evan, you could even make this advisory board like a mini-mastermind. I love mastermind, because kind of what they are is people come together and collaborate, and you give feedback on each other's business. So if you make it kind of like a mini-mastermind, it can be not only about your business, but you could do the same thing for their businesses. In other words, you bring – say, five or six different people with different backgrounds and different businesses, and it's not just about your business, but let's

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say you're going to work on each other's business. And that capacity, you don't need to feel obligated to really pay them anything, because you're all sharing collaborating. So I think that's a great way to get started, and that's really what we do in the Freedom Founders Mastermind that I host, is it's all about collaborating and coming together and helping each other on your businesses that makes a big difference. How many people do you choose as advisors as well as which people you choose really has a lot to do with your own personal goals. You may find as you go along, you may outgrow certain advisors. That's okay, because if your goals reach further than their knowledge and experience can help you, it's okay, because that's your process. That's your evolution. You're moving forward. That's sometimes a good thing, and you can change and modify your advisory group as you grow and have those different needs for your business.

Evan: Uh-huh, excellent. In your experience, when you created a board, did you find that they would oftentimes receive that model well and then ask you to look into their business in some capacity?

David: That's kind of how it started to work for me when I first did it, Evan, and I did it with my practice some years ago, based on this concept that I didn't make this concept up, obviously – this is something that was related to me, and I've learned through other people the value of this. But that's sort of what happened is, as we were talking about my business, the different advisors I had, there's different concepts or threads that are common to all of our businesses, management and staff and hiring and time management and all kinds of things that are common throughout, and as we talked about one person's business, whether it was mine initially, other people would bring up other things going on in their business, and we sort of morphed into more of a mastermind than an advisor group, and that's just where I really started to love the mastermind, because it just was a way for everybody to give and share and receive in a capacity like that. It just makes a lot of sense.

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Evan: Uh-huh. So let's talk to the practicing professional. And I love the word the "why", the why they would do it. Give some examples of questions that they'd pose to their board of advisors and some tangible direction that they might receive and what benefits they would get.

David: Sure. Well, and again, we talked about some of this on other podcasts, but one of the big things that a lot of dentists have to try to determine is what technology do I buy? It's all out there. It's all being put in my face at trade show industry meetings and by manufacturing reps and through trade journals. It's like I think I need it, and I want it all, but how do I make that decision? Once I make that decision, how do I talk about getting return on investment? What are the questions I need to be asking? Sometimes, again, because we're so new to the business, we don't know those questions. So by putting it out to other people that can give us that feedback, equipment and technology investing could be one. Another one could be I think I need to expand my business, because I've just heard bigger is better. Well, that's kind of an old myth or a wives' tale. Whether it makes sense for one person or not, it depends upon, again, their goals, who they are, what resources they have. Who's going to help you define that? Well, that's where your board of advisors comes in, because they can ask you the right questions to see if that's a good thing for you to consider doing.

Should I hire the associate? Should I think about bringing on an associate to a partnership? Should I sell my practice in fractional partitions versus selling it outright? Again, there's lots of variables to consider here, and by ourselves, we can't figure that out. Also, just going to one particular person who might have some experience, maybe like an attorney or a practice broker, who are good people – don't get me wrong –but what about having three or four or five people who have some experience in that arena all give

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you feedback? I think that's more valuable, and then you could go to a particular professional who can kind of mold that particular deal, but now you've had the benefit of a number of people to talk to you about. Then maybe another one, Evan, would be marketing. Marketing is something that every business today has to do, and there are so many different ways to market and so many different offerings for done-for-you services out there that I think it makes a lot of people dizzy. Where do you start? Where do you invest again and certain types? What's right for you? How should you evolve your marketing campaigns? Very wise people out there in different business capacities that can give you that feedback to help you design what might be the best way to go, whether you out there all by yourself shooting shotgun style and just hoping for good results.

Evan: Gosh, that's so true. So man of the practicing professionals that I talk to are so isolated. They even say they come to work, they treat patients, they look forward to going home. Then a lot of times the last thing they want to talk about is dentistry. But yes, on the weekends or some of the evenings, they're going to study clubs, and they're focusing on their margins, not their profit margins, their dental margins, their restoration margins. But they don't open up to each other and say, hey, how's your new patient load? Or hey, what have you done lately to bring in new Patients? Or what do you think about bringing in an associate? I know some do, and my experience has been is those that do ask those questions are the ones that grow, and they're also the ones that seem to avoid the pitfalls that so many people fall into. What would you give as an encouraging word to have those doctors break out of that solo mind and be able to interact and mastermind? How could they find the dentists? How could they start the conversation? Would it be email? Would it be vocal? How would they get started?

David: I think it always goes back to changing our mindset, the way we think about things, Evan. I think it goes back to the way most of us,

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certainly a great number of dentists that I work with and talk with, and really the way I used to be is again, I didn't want to admit what I didn't know. We are all supposed to be experts in a certain area, and that's why I think we like the study clubs where we go talk about our crown margins, and we talk about our technology, because that's the stuff we know. That's what we've lived and breathed all of our lives and through our education and in continuing education. That's very familiar to us, so we like to discuss that and get into the nitty gritty. Now, start talking about other things outside of that area like business or marketing or do I expand, that's out of our comfort zone, and so we don't usually feel good about asking those kinds of questions. So let's go back to the reason why. The reason why you want that group of advisors, or call it a mini-mastermind, whichever you prefer, is that you're building this on people who number one, already know you in some capacity, and they like you, and you're building this not on competition or who's better than the other person. You're building this on real trust and a commonality to help each other. So in that capacity, there is never a wrong question. There's no such thing as the dummy in the room, because we all realize there are certain things we know and we don't know. When you have that kind of environment, that's where real things happen, because you can ask the real questions. You can get down and talk in that small group, because now you're intimate with each other, and you can talk about setbacks or things that you've really screwed up, and you don't want to talk to anybody else about it. See, that's the problem we have is, I think number one is males. I'm not being chauvinistic here, because hopefully we have a number of female doctors, and there are female listeners –

Evan: More and more.

David: Yeah, you're much better than we are. So I'm talking about more males here that we tend to close up, and we don't want to talk to people. Females will get out, and they'll talk about things and let things off their chest, and I think they're much healthier. So if you're

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a male, you need this kind of a group. So how do you get it started is hopefully you're out there, outside your office enough where you do know some other people. If you don't, don't feel bad, because there's a lot – again, we tend to be more introverts, and I am one. Trust me, I am one. So you have to get out there a little bit and meet some people in the community, networking through its list of Rotary or Kiwanis or the church, or your chamber of commerce. You've got to force yourself to get out there and shake a few hands and meet a few people. Talk to people at lunch. That's a good place to go is just go have lunch with some people that you pick out that know you a little bit and just see who you resonate with. See who you think there's a good match. Not everybody is going to be perfect, so find people that, again, that can be honest with you and give you that real feedback and have that conversation. Here's what I'm looking for. Here's how I think we can help each other. And who do you know who we could also bring into this group if you found the first person who you think might fit?

Evan: Uh-huh. Well, David, I appreciate that, and in my experience, every major Fortune 500 company, they have a board of advisors. Every company that's running and growing well, they have that group, whether we call it mastermind, whether we call it just dental friends, whatever it may be, it's another mind, another viewpoint, and collectively I believe there is more power with friends, with collaborative type of partners that we can achieve much more together than apart. Thank you very much for being on the call. This is Evan Harris with my friend David Phelps, two men on a mission to help their practice professionals grow and have the lifestyle of their dreams.

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