A Guide to Your First Date With a Start-up

James Bull, Dan Poole and James Morvell, Hall & Wilcox, discuss the key lessons for working with start-up clients.

In many respects, start-ups and 'traditional' corporates/firms are polar opposites. Your typical start-up may adopt a 'shoot first, ask questions later' business philosophy which is often reflected in their flexibility and the speed in which they make decisions and iterate their value proposition. By contrast, your average suit and tie corporate can often be burdened by complex and hierarchical decision-making processes and the need to have regard to a large range of stakeholders and a complex risk matrix.

If large corporates and professional services firms are the slow-moving (yet steady) tankers of the business world, start-ups are the nimble speedboats riding the wave.

Despite their differences, the mutual benefit to be gained from corporates and start-ups working effectively together is enormous. For corporates, working with start-ups can be immensely rewarding as particularly with early stage start-ups, there is often the opportunity to have a huge impact in a short space of time. There's also the potential for corporates to learn from the new technologies and agile working practices employed by their start-up clients and business partners. For start-ups, having trusted advisors on your team with experience (and contacts) across a broad range of disciplines can be a major factor in ensuring that the start-up's growth is sustainable (even if at times it means coming to a stop, looking left and right, and then proceeding ahead!).

But why do so many corporates get it wrong when it comes to engaging with start-ups? What's the 'secret sauce' for a successful corporate-start-up relationship?

Our firm, Hall & Wilcox, (with very valuable input from some of our existing start-up clients) has recently designed and launched a start-up program, Frank Lab, which sits within our dedicated start-up practice, called Frank. The name 'Frank' reflects our philosophy in working with start-up clients: no nonsense or legal speak, we just provide frank advice. Here are some of the lessons we've learnt along the journey about how to forge meaningful long-term partnerships with start-ups.

1. Corporates need to change their mentality

Corporates need to be able to shift their mindset in a number of key areas in order to work effectively with start-ups, for instance:

Relationships

Relationships between corporates and start-ups tend not to work when they are purely 'transactional'. It is crucial to invest time building genuine relationships with start-up clients, and developing a strong understanding of their business. Start-ups (like any clients) want to know that their trusted advisors 'get it' - so corporates need to take the time to understand how the start-up's business operates, and why. Start-ups want to work with people who are genuinely excited by the vision they're trying to bring to life.

As a practical tip for how to build goodwill, it is good practice for firms to constantly ask: how can we maximise the value we offer? Who can we introduce the start-up to in order to help them solve problems (e.g. accountants, investors, customers, and even internal HR consultants)? What extra value can we offer them that costs us nothing (e.g. meeting rooms, tech support, introductions)?

Risk

As many as 90% of start-ups fail.

For professional service firms, this statistic may naturally cause anxiety about a start-up's capacity to pay professional fees. However, from the start-ups that fail, many founders rise from the ashes with their next venture (it is the very nature of those brave enough to live the founder journey) - and if you've built a good relationship, they'll have you in mind when they need advice and support. Therefore, rather than insisting on upfront payment of retainers and the like, it is a nice gesture to discuss alternative payment timelines, such as deferred payment to be settled at the end of a capital raise.

The risky nature of many start-ups can (and, often, should) shape the character of the advice given by professional advisers. Because experimentation is often part and parcel of the start-up business model, avoiding risk may not be possible, nor even desirable. Mitigating risk will be a matter of judgement, central to which will be understanding your client's risk appetite, and, if necessary, embracing risk as an inherent part of the start-up's business before advising accordingly.

Of course no start-up is the same. Not all of them will have inherently risky business models, nor the same risk appetite.

2. Corporates need to rethink their role as business advisors

It is a common trap for professional services firms (particularly law firms) to conceptualise their role with respect to their start-up clients too narrowly. For instance, a tax or employment lawyer might naturally put the blinkers on and focus on the black letter law, without seeking to understand the commercial rationale behind a client's instructions, which might enable an easier or cheaper solution to be identified.

Another common pitfall is forgetting to consider the exact product or deliverable the start-up actually needs:

"Most start-ups have never worked with a lawyer before, and need to be guided through that process. They also often want a quick and dirty answer rather than a finely tuned piece of advice", says Adam Dimac, a lawyer and start-up advisor at Hall & Wilcox.

Often it's as simple as asking the client what they actually need. The risk involved in giving seemingly 'incomplete' advice can generally be mitigated through carefully 'scoping out' areas that have not been contemplated and communicating that clearly.

Ultimately, for professional services firms to work effectively with start-ups, they should see their role as broader than just accountants or lawyers - they are operating as business advisors. Start-ups want to work with advisors who are willing to go beyond the confines of what they've been instructed to do; good advisors will think laterally about things outside their immediate area of focus that might affect the start-up in some way, such as legislative and policy changes, new opportunities and broader macro-economic trends. As James Morvell, a partner at Hall & Wilcox who works with a number of start-up clients, as well as institutional clients, notes, "Sometimes, what a start-up client wants to hear is the answer to the question: what would you do if you were in my shoes. Getting this answer wrong is highly unlikely to ever lead to being sued for providing negligent legal advice, but being prepared to answer the question may well help forge an enduring relationship with your client."

3. Corporates need to rethink how they deliver services to start-ups

In general, start-ups exercise tight control over their purse strings. They aren't always broke, but they tend to be savvy to the tyranny of the billable hour. They, like many other clients now, will often expect fixed quotes up front where pricing is based on output and/or value, rather than the number of hours spent on a project.

Speed is also crucial. Unlike, perhaps, larger institutional clients, where the corporate firm might be liaising with a mid-level manager with no skin in the game, often when working with start-ups the liaison is directly with the founder. For founders, their start-up is their baby. To give them peace of mind, it pays to invest a few extra minutes to provide progress updates even if a task can't necessarily be completed in a short space of time.

And leave the jargon at home - start-ups aren't dumb, they just don't have the time or inclination to decode legal speak or other esotericisms particular to your industry.

So, how do corporates meet start-ups?

If you don't already work with start-ups and we've convinced you of the mutual benefit to be gained from corporates and start-ups working together, you might be left wondering how to go about actually meeting some of them.

Here are a few great ideas for meeting start-ups:

- sponsoring start-up hubs (for instance, Hall & Wilcox is a corporate sponsor of fintech hub, Stone & Chalk);
- starting a dedicated start-up practice within your firm (such as our Frank start-up practice) or an emerging business division within your corporate organisation;
- appointing an 'entrepreneur in residence' to provide dedicated business advice to start-up clients;
- investing in early-stage start-ups;
- participating in or hosting a hackathon; and
- incorporating start-ups into your service line - become their customer!

Dan Poole is a graduate lawyer at Hall & Wilcox, a member of our Frank startup practice and serial founder himself having founded social enterprises home. one, Crepes for Change and The Coffee Cart Changing Lives. **James Bull** is a senior associate at Hall & Wilcox and heads up the Frank start-up practice nationally. James Morvell is a partner at Hall & Wilcox, and is learning a lot from colleagues such as Dan and James!

DO	DON'T
Take an interest and get excited about the start-up's business - don't only talk business.	Generalise about the start-up's priorities, needs or assume they're 'broke'.
Speak their language - use concepts relevant to the start-up's business and industry.	Use jargon that is incomprehensible to the start-up, such as using legal, accounting or tax concepts.
Take a broad view of your role as a business advisor, always think: who can I introduce this start-up to, or what else can I do to help them?	Take a traditional view as to how you may be able to add value to a start-up.
Be proactive and communicate - don't wait for the start-up to get back to you, check in with them first.	Assume that start-ups work on the same time as you
Invite start-ups to your office - but be prepared to communicate over the phone or via video conferencing (start-ups are time poor).	Underestimate how rewarding it can be to work with start-ups as they grow and evolve.