



Selecting the right family business adviser

George Isaac

Founder, George Isaac Consulting

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Family-owned businesses, which comprise over 80% of all businesses in the United States, are a major growth engine for our economy. With such a large marketplace, they are often looked upon as gold mines for professional service advisors in search of new client relationships. What should you look for when selecting the right adviser for your firm?

Some advisors have the appropriate consulting skills and experience to be helpful while others are ineffective. Too many come off as "academic trainers" with limited relevant credentials and direct family enterprise experience. Your family enterprise has its own culture, complexities, and nuances and, as such, it requires customized solutions from an experienced professional consultant to meet both your family and business' needs.

As a family enterprise CEO and consultant with over thirty years of family business experience, I have seen the damage and chaos that occur when an inexperienced consultant enters the picture to "help" a family enterprise.

It's common knowledge that only 10 to 15% of all family enterprises survive past the second generation. Contrary to the common belief, most family enterprises fail because of problematic family dynamics rather than business issues. For a variety of reasons, families often do not adequately address these "softer" issues. My experience indicates that the needs of individual family members are not only diverse, but their priorities and interests change over time. Areas where interests do not align can become a flashpoint for family conflict which can influence the enterprise's longevity.

Hiring the right advisor is critical; hiring the wrong one can lead to disaster. But, how can you tell the difference?

Here are some guidelines to consider.

Key Requirements

It's important that any consultant has the ability to offer independent and objective opinions that will put the family on the right track for long-term success. The business needs a consultant who is willing to forge a solid working relationship with all key constituents of the family business, including active and passive stakeholders and the "power players" as well as others not in power.

Following are three key questions to consider when searching for your family enterprise advisor:

1 - Does the advisor have direct family enterprise experience?

Each family enterprise is unique so you need a specialist in this area. Your first step should be validating the depth and knowledge of the advisor's family enterprise experience. It's essential that any advisor has a successful track record of working with multiple family enterprise clients and has addressed a broad set of issues. Always check references. It's a big plus if the advisor has actually worked in his or her own family business where he or she can obtain first-hand knowledge, understanding, and appreciation of the feelings, often subconscious, that exist in both active and passive stakeholders of a multi-generational family enterprise. Think about it - growing up at the dinner table listening to family and family business concerns, engaging in "off-the-record" discussions at family outings, overhearing cousins and other family members' various perspectives and concerns, and seeing first-hand how family members interact formally and informally in the family enterprise are invaluable in developing the sensitivity and knowledge necessary to intrinsically understand the nuances of family enterprises.



2 - Is the advisor sensitive and perceptive?

Unfortunately, many family enterprise advisors function as "trainers" rather than professional consultants. Their recommendations are typically "structural" remedies learned from reading books and attending conferences. While providing structural recommendations on succession plans, family councils, boards of directors, family constitutions, family retreats, and other less complicated actions are often helpful, it's important to note that family enterprise issues are rarely singular and are often subtly nuanced - typically with associated significant emotional issues. Accordingly, they require more complex solutions. Therefore, the advisor must be knowledgeable and flexible to provide customized solutions that meet your family and family enterprise's specific needs. For example, if your advisor begins the project with, "This is how it needs to be done," it's almost guaranteed that the needs of the family and family enterprise will not be met. Remember, each family enterprise has its unique culture, history, philosophies, values, sensitivities, and of course, cast of characters called family members. Consequently, your advisor must have critical consulting skills including excellent listening skills, thoughtful questioning skills, reflective communication skills, consensus building skills, and analytical and diagnostic skills.

3 - Is the advisor trustworthy and independent?

The ultimate goal of hiring an advisor is finding one who both is experienced and knowledgeable and also capable and amenable to forging trusting relationships with all family members associated with the business. It is essential that all stakeholders in the family enterprise trust your advisor and believe he or she is truly independent. Your advisor cannot be partial to the family power broker or to the individual/group that engaged his or her services. Minority rights, passive stakeholder issues, overall family group needs, business objectives, generational perspectives, and other such issues must be impartially represented and properly addressed so that objective, long-term solutions for the family enterprise can be provided.

Seeking the Appropriate Family Business Advisor

It's important to take time with your family members to develop an evaluation matrix that can serve as a starting point for selecting a family business advisor. The following is a start to creating your evaluation checklist.

For example, does the potential advisor have:

- Hands-on CEO or senior management experience in a family business?
- Board member experience in his or her own family business or in other family businesses?
- Executive coaching/team building experience with family businesses?
- Ten plus years of consulting experience with a variety of family businesses?
- An advanced degree in business, organizational development, or a certified family business consulting program?
- References for prior relevant consulting engagements?
- Demonstrated knowledge in the areas specific to your family business' particular needs?
- Peer/industry validation through presentation of papers at conferences or through publication of articles in national periodicals on the topics critical to your family business?
- Demonstrated listening skills as witnessed during the proposal process?
- A focus on listening, communications, and consensus building activities as outlined in consultant's
- A style and mannerism that fits well with you and your family?

The potential advisor also should be willing to present to your family enterprise a written proposal outlining project objective, scope and work methodology, deliverables, staffing, timing, fees & expenses for any assignment.

Taking the time and effort to carefully select your family business consultant - and hiring the correct one - is critical to protecting your investment in outside advisory services and achieving long-term solutions for your family



enterprise.

About the Author - George Isaac has 30 years of family business experience including serving on 14 public and private corporate boards and consulting on over 100 client engagements. His firm provides board and management consulting services to mid-market family owned enterprises. For more information please visit www.GeorgeIsaac.com or email George at gisaac@gaicapital.com.