



Finding the Right Family Business Consultant?



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Family-owned businesses, which comprise over 80% of all businesses in the United States, are the backbone of the economy. As such, they are often looked upon as gold mines for professional service advisors. With such a large marketplace, family businesses have attracted the attention of family business consultants who swarm around these businesses in search of new client relationships.

Some of these consultants have the appropriate skills and experience to be helpful while others are ineffective and come off as “trainers” with limited relevant credentials and experience. Your family business is a living organism with its own culture, complexities, and nuances and, as such, it requires customized solutions from an experienced consultant to meet the business’ needs.

As a family business consultant with over 30 years of family business CEO, board, and consulting experiences, I have seen the damage and chaos that occur when an inexperienced consultant enters the picture to “help” the family business.

It’s common knowledge that approximately 35% of all family enterprises survive past the first generation and only 10 to 15% make it past the second generation. Contrary to the common belief of many family businesses, most of these enterprises fail because of problematic family dynamics rather than because of business issues that typically affect more traditional businesses. For any 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. Any area where interests do not align can become a flashpoint for family conflict which can influence the enterprise’s longevity.

Hiring the right advisor is important; hiring the wrong one can lead to disaster. But, how can you tell the difference? Here are some guidelines to consider.

Key Requirements

Family businesses should hire a consultant with direct experience in working with family

businesses and their specialized cultures. In addition, it's important that the 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.

Following are three key questions to ponder when searching for your family business advisor:

Does the consultant have direct family business experience?

Each family business 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 business experience.

It's essential that the consultant has a track record working with multiple family business clients and has addressed a broad set of issues. It's a big plus if the advisor has worked in his or her own family business, obtaining firsthand knowledge, understanding, and appreciation of the feelings, often subconscious, that exist in both active and passive stakeholders of a multigenerational family business. 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 firsthand how family members interact formally and informally in the family business are invaluable ways to develop the sensitivity and knowledge necessary to intrinsically understand the nuances of a family business.

Is the consultant sensitive and perceptive?

Unfortunately, many family business advisors function as trainers rather than professional consultants. Their recommendations are

typically "structural" remedies taken from reading books and/or attending conferences.

While providing structural recommendations on succession plans, family councils, board of directors, family constitutions, family retreats, and other less complicated actions are often helpful, it's important to note that family business issues are rarely singular and are often subtly nuanced. Accordingly, they require more complex solutions. Therefore, the advisor must be knowledgeable and flexible to provide customized solutions that meet your family business' specific needs.

For example, if your family business advisor begins the project with, "This is how it needs to be done," it's almost guaranteed that the true 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 family business consultant must have critical consulting skills such as excellent listening skills, thoughtful questioning skills, reflective communication skills, consensus building skills, and analytical and diagnostic skills. The advisor also should be flexible enough to offer knowledgeable suggestions and open enough to develop trusting working relationships with all significant members of the family business.

Is the advisor trustworthy and independent?

The ultimate goal of hiring a consultant is finding one who not only is experienced and knowledgeable but who is 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 Consultant

It's important to take time with your family business members to develop an evaluation matrix that can serve as a starting point for selecting a family business consultant. The following is a start to creating your evaluation checklist to help your family during the decision-making process.

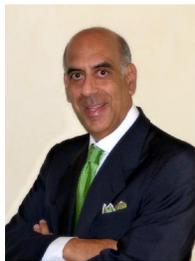
Does the consultant have:

- CEO or senior management experience in his or her own family business or in other family businesses;
- 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;
- Project consulting experience addressing your family's specific issues;
- References for prior relevant consulting work;
- 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 by the consultant as noted during the proposal process;
- A focus on listening, communications, and consensus building activities as outlined in consultant's proposal;
- A style and mannerism that fits well with you and your family.

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

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.



George A. Isaac III

George Isaac is the founder of GEORGE ISAAC CONSULTING, a division of GAI Capital Ltd., a 15-year-old Santa Barbara-based national consulting firm working exclusively with family business and family office clients. He has over 30 years of family business experience, has worked on over 100 client projects, and has served on 14 public and private corporate boards for companies ranging in size from \$30MM to \$1BB.

Mr. Isaac is also the co-managing member of the Isaac family office, GeoZac Holdings Ltd. In addition, he currently serves as co-managing member of two of his family's 2nd generation operating companies and is on the board of directors (prior CEO) of his 4th generation family business. Mr. Isaac is a frequent speaker at national and international business meetings and conferences and has had several articles published on family enterprise issues. He can be reached via www.Georgelsaac.com, gisaac@gaicapital.com or 805.969.6602. Follow him on Twitter at @Georgelsaac888.

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