Why So Few Business Owners Get and Accept Good Advice

"Advice is seldom welcome;
and those who want it the most always like it the least."

LORD CHESTERFIELD

Few business owners use professional advisors wisely. Nearly one third of family businesses have no trusted advisor outside the family, according to recent survey by prominent US insurance company. Ten common attitudes that keep business owners from getting the advice they need:

1

"I can solve the problem myself."

Many business owners are used to being in charge and having people look to them for answers. This pattern can be habit-forming, leading the business owner to feel he or she should have all the answers. While self-reliance is a virtue that has built some great businesses, it also can be an obstacle to solving complex family business problems efficiently. An advisor with experience in many businesses can protect a business owner from reinventing the wheel. He or she also can keep problems from mushrooming into crises.

2

"I don't want anyone throwing up roadblocks to my plans."

Business owners are action-oriented doers and may not even think of calling an advisor until they have committed to a course of action. This tendency builds on itself. The more decisions a business owner has made before seeking advice, the more likely he or she is to be embarrassed by an advisor's reaction. But however uncomfortable it may be to admit to people who admire you that you need to change your plans, it is sometimes necessary to avert bigger problems.

3

"Professional advisors should be used only as a last resort."

This attitude, a corollary to No. 2, casts professional advisors as firefighters - a necessary evil or defensive weapon to avoid lawsuits, tax audits or other calamities. It usually means business owners call advisors too late - "when things go pear shaped and all hell breaks loose". If a crisis erupts over succession, shareholder discord or other unaddressed fundamentals, the business owner and advisor then face the impossible task of attempting to resolve the matter. Based on the insights of long-lasting successful businesses, nearly all family business share most of the same problems and issues.

4

"An outsider could never understand my business."

Some business owners believe "an advisor is someone who borrows your watch to tell you what time it is. " They contend, "By the time I invest enough so that an advisor can understand my situation, I could have solved it myself". This rationale is a handy excuse to keep the family business a closed system. All businesses are unique, but all share some characteristics as well. If an advisor is well chosen and called in early, he or she will bring relevant experience that can assist the family business owner mitigate the pending problems and issues.

5

"High-powered experts wouldn't be interested in my business."

Even successful entrepreneurs often are too humble, unassuming or unsure of themselves to seek out the best advisors. Despite their success' these business owners often hesitate to apply to professional advisors the same high-performance standards they impose on themselves and their employees. This tendency begins early, often with a reluctance as a start-up to seek out a commercial lender. Many business owners don't realize that advisors usually like to see prospective clients at any stage.

As the business grows, many owners tend to stick with long time advisors whom they may have outgrown. But just as a business owner would not settle for a supplier who failed to meet his or her needs, he or she should not settle for an advisor who is less than challenging. No matter how formidable their expertise may seem at first, top-flight family business advisors should be approachable and communicative, and should provide helpful referrals if they are unable to help a client themselves. If business owners demanded as much from their professional advisors as they do from their employees and themselves, running their businesses would likely be easier, more profitable and less lonely.

6

"An advisor will raise a lot of issues I don't have time to bother with right now."

Many business owners fear that confiding in an advisor will open a Pandora's box. Some believe advisors will raise questions they can't answer or that threaten their personal confidence or control. Others sense that an advisor's probing may thrust them into "the planning triangle" - the web of financial, estate, succession and family issues that must be addressed for a family business to thrive through generations. Indeed, a good advisor often must understand a business owner's goals in all these areas to help solve problems in any one of them. The business owner may not want to take that leap, preferring to keep everything quiet.

Left unchecked, problems can worsen until a client reaches "a point of enormous pain." According to Harry Levinson, a psychologist, consultant and noted author on succession and other management issues, the desire to preserve peace often leads to "perennial conflict and lack of resolution." Only by addressing issues head-on can these unhealthy symptoms be healed.

7

"I don't want to share any information with an outsider."

Many business owners place such a high value on secrecy that they refuse to share any information with non-family people. In fact, confidentiality is a baseline requirement of professional advisors. The smallest doubt about an advisor's ability to respect business and family secrets is enough to disqualify that person. This argument, a corollary to No. 4, also misses the potential value to any business of using a "sounding board," an informed person with a fresh perspective and an ability to respond objectively. This can be crucial in helping the family business avoid growing stale or out of touch.

8

"Professional advisors cost too much."

Nowhere is it more likely true that "you get what you pay for" than with professional advisors. Yet many business owners assume all advisors are overpriced. Many also fear they lack control over fees. In fact, advisory relationships can be managed for cost-effectiveness, as discussed later and many business owners undervalue the financial importance of sound decision making. To focus solely on the cost of an advisor is doing yourself a disservice. The real cost of advice is not what you pay for it. It is either the cost that you incur when you take the advice and find out that it's wrong - which obviously can devastate the business, or it's the opportunity cost of receiving the advice but not taking it because you don't trust your advisor. Any advisor who really provides good service will overtime pay for himself or herself.

9

"Our long-time attorney (or accountant or banker) is a family friend and knows us best. We don't need anyone else."

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10

"I'm unsure of how relationships with professional advisors work."

The idea of calling a professional advisor sometimes raises so many questions for business owners that they avoid it. How could an advisor help? What will he or she expect of me? How will I explain it to the family? What information will I have to disclose? Will he or she press for solutions that don 't fit our business? How can an outsider understand our situation?