



How to Choose & Use Advisors

The Value of Good Advice: When Do Most Business Owners Need Help?

The success and survival of your family business may depend on the professionals you choose to advise you on matters of finance, law, tax, family relations, business strategy, succession and other issues.

Leading a family business can be one of the most complex job imaginable. For its owner, the family business is a crucible for some of life’s greatest challenges: growing a company, leading a family, nurtured loved ones – the same crucible in which the business owner’s own life story and personal financial security are formed. Every business owner needs help from time to time. Good advisors can assist by drawing on their experience with many family businesses. They can help solve problems and resolve conflicts. They can ease the isolation of running a business by showing that other business owners share similar problems. In that process, the advisor also protects business owners from the need to re-invent the wheel.

Yet many business owners don’t get the advice they need and deserve. Many hesitate to seek the best advisors. Instead, they “under hire” out of modesty, loyalty to long time advisors they have outgrown, or a sense of comfort with advisors who don’t challenge them. Other business owners aren’t sure when to call an advisor or what kind is best suited to help.

TABLE 1: Summarizes the services provided by various kinds of family business professionals.

TABLE 2: Shows what advisors can be most helpful as the family business passes through three common stages:

- **A first-generation or entrepreneurial phase**, when the business is usually owned and led by one person, typically the founder;
- **A second-generation or “family partnership” stage**, when the business is managed by a few controlling owners who are usually siblings;
- **A third-generation or “family dynasty” stage** when the shareholder base broadens to include cousins with family members both active and inactive in the business.

TABLE 1: WHAT TO EXPECT FROM ADVISORS

ACCOUNTANT	Tax planning and preparation of returns. Organizing and interpreting financial statements. Improving financial management and reporting, sometimes by helping design new systems. Helping with business transfer, succession, estate and family compensation planning. Providing informal financial management advice and mentoring successors. General business advice.
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<p>ATTORNEY</p>	<p>Helping negotiate contracts and other documents such as share restriction and buy-sell agreements. Helping determine the form of business ownership and capital structure. Attending board meetings at the chairman’s discretion and reviewing board-level transactions. Acting as a diplomatic “go-between” for a business owner and a mentor for successors. Resolving disputes through compromise or litigation. Preparing estate plans, will and trust documents and reviewing them every one to five years. Helping plan for payment of estate tax obligations or financing shareholder buyouts. Preparing antenuptial agreements and providing counsel regarding plans to bring new family members into the business. Helping establish business governance policies to enhance the likelihood of successful transfer of the business to younger generations, especially by helping set up an effective board of directors and polices for employment and promotion of family members.</p>
<p>BANKER</p>	<p>Making loans and setting up lines of credit. Helping with pension plans. Helping decide how to finance growth, succession or shareholder demands for liquidity. Helping evaluate debt-equity ratios. Raising timely questions about succession and estate planning. Informally, instructing successors in financial skills.</p>
<p>EXECUTIVE SEARCH CONSULTANT</p>	<p>Identifying and recruiting key non-family managers and directors, including “bridge” managers between generations of family management. Helping reenergize the stagnant organisation or professionalize management thorough key hires. Helping identify and fill gaps in management.</p>
<p>FAMILY BUSINESS CONSULTANT</p>	<p>Encouraging development and implementation of succession, estate, strategic and personal financial plans. Helping develop successors. Helping plan family compensation and entry of new family members into the business. helping plan shareholder liquidity or buyout programs. Helping revitalize the business. setting up active outside boards. Fostering family unity and communication, organizing family meetings and developing amily statements of mission and purpose. Generally, helping family businesses through transitions and helping perpetuate family ownership.</p>
<p>FINANCIAL ADVISOR</p>	<p>Helping business owners identify and choose among various ways of addressing the liquidity needs of shareholders or the capital needs of the business. anticipating capital and liquidity needs. Assisting in implementing capital or liquidity programs. Restructuring ownership to perpetuate family control or concentrate ownership in certain segments of the shareholder base. Informally, helping educate successors about financial management. Many financial advisors also provide the investment banking services described below.</p>



INSURANCE AGENT	Alerting the business owner to the need for insurance to protect against large, unpredictable demands for cash in the future. Specifically helping select policies to pay estate taxes, finance shareholder buyouts, ensure survivors' financial security, incentivize key non-family executives, repay debt or guard against the disability or loss of key manager. Acting as a catalyst for estate planning. Educating the business owner about complex insurance alternatives, policy illustrations and the differences among various policies and insurers. Providing annuities of life insurance to reward key employees.
INVESTMENT BANKER	Valuing assets and businesses. Identifying prospective buyers or sellers of assets or businesses and helping manage sales and acquisitions. Identifying potential investors and making public or private placements of shares or debt. Helping assess debt-equity ratios and dividend policy. Designing shareholder redemption programs.
ORGANISATIONAL DEVELOPMENT SPECIALIST	Helping build teamwork, cohesiveness, communication and a sense of purpose within a business. helping with successor development and selection, team-building or team transition among siblings or cousins. Designing career paths, compensation plans and performance appraisal systems for family and non-family managers. Helping revitalize stagnant organisations and professionalize management.
PSYCHOLOGIST	Diagnosing and helping treat psychological tensions, morale issues and relationship problems in a business. Helping family members in transition. Helping resolve conflicts and build cohesiveness among family members. Helping business leaders make the transition to retirement. Helping successors develop their own identity. Improving family communication. Evaluating key managers. Resolving issues raised by bringing in key non-family managers.
TRUST OFFICER	Administering trusts and managing trust assets in beneficiaries' best interest. Increasingly, counselling business owners informally and providing referrals to experts on valuation, estate planning, estate and donations tax planning, investment management and other service. If a business is controlled by a trust, reviewing business performance, helping identify candidates to fill management gaps and serving as a director if needed.
VALUATION EXPERT	Valuing a business based on its management, assets, performance, outlook and research into comparable companies with established market values. Using this information to help values estates, donations of shares, divorce and litigation settlements, shareholder liquidity programs, fairness options, ESOPs or executive share plans. Helping plan transfer of ownership and management of estate taxes.



TABLE 2: USING ADVISORS AS THE FAMILY BUSINESS MATURES

	STAGE 1 Owner-Operated "ENTREPRENEURIAL SUCCESSION" Stage	STAGE 2 Second Generation "FAMILY PARTNERSHIP" Stage	STAGE 3 Third Generation & Beyond The "FAMILY DYNASTY" Stage
ACCOUNTANT	<ul style="list-style-type: none"> • Developing financial controls and systems * • Helping develop banking relationship • Estate and ownership succession planning * • Succession planning * • Mentoring successors * • Transfer to next generation * 	<ul style="list-style-type: none"> • Reviewing financial reporting & management * • Tax consequences of various ownership structures * • Bonus and incentive plans for managers * • Coordinating family members' estate plans * • Advice on business expansion and growth * • Reviewing banking relationships * 	<ul style="list-style-type: none"> • Estate master plans to perpetuate the business
LAWYER	<ul style="list-style-type: none"> • Incorporating • Helping develop banking relationship • Estate planning * • Succession planning * • Mentoring successors * • Setting up active outside board * 	<ul style="list-style-type: none"> • Developing buy-sell agreements among siblings • Coordinating family members' estate plans * • Prenuptial agreements for siblings • Structuring ownership * • Compensating key non-family managers * • Helping plan for family members' entry into business * 	<ul style="list-style-type: none"> • Estate master plan to perpetuate the business
BANKER	<ul style="list-style-type: none"> • Making operating loans * • Financing growth • Improving financial reporting • Mentoring successors * 	<ul style="list-style-type: none"> • Planning to provide liquidity to family members * • Advice on business expansion and growth * • Financing business expansion and growth * 	<ul style="list-style-type: none"> • Planning allocation of capital

Certain basic advisory roles are omitted, such as an accountant's preparation of tax returns. * Indicates a continuing function through the life of the family business.



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INSURANCE ADVISOR	<ul style="list-style-type: none"> • Life insurance for financial security * • Life insurance for estate taxes * • Insuring and rewarding key employees * • Acting as catalyst for estate planning * 	<ul style="list-style-type: none"> • Financing share buybacks * • Financing family security * 	
VALUATION CONSULTANT	<ul style="list-style-type: none"> • Estate Planning * • Valuating donations of shares * 	<ul style="list-style-type: none"> • Planning to provide shareholder liquidity * • Securing shareholder buy-outs or loans * 	<ul style="list-style-type: none"> • Valuing shares for executive share plans, ESOPs
COACH / PSYCHOLOGIST	<ul style="list-style-type: none"> • Helping the founder “let go” • Helping the successor establish identity • Career paths for second generation • Building family communication skills * 	<ul style="list-style-type: none"> • Evaluating key people * • Building sibling teamwork and communication * • Professionalising management * • Resolving family conflict * 	<ul style="list-style-type: none"> • Educating family on consequences of wealth • Articulating family values, history and culture • Building shareholder harmony and commitment • Assessing family member strength and weaknesses
ORGANISATION DEVELOPMENT SPECIALIST	<ul style="list-style-type: none"> • Intergenerational business planning * • Succession planning * • Career paths for second generation • Building skills and teamwork among siblings * 	<ul style="list-style-type: none"> • Revitalizing strategy • Planning family and non-family compensation * • Formalizing management • Career paths for non-family managers 	<ul style="list-style-type: none"> • Counseling family members for career development • Building shareholder harmony and commitment • Family conflict resolution • Professionalizing management
SEARCH CONSULTANT	<ul style="list-style-type: none"> • Recruiting non-family interim managers * • Recruiting outside directors * 	<ul style="list-style-type: none"> • Revitalizing the organisation through new hires * • Filling gaps in newly professionalized management 	<ul style="list-style-type: none"> • Building depth and breadth of management • Helping identify management personnel needs

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FAMILY BUSINESS CONSULTANT	<ul style="list-style-type: none"> • Management succession planning * • Ownership succession planning * • Entry of family members into the business • Beginning family meetings • Setting up active outside board • Mentoring successors * 	<ul style="list-style-type: none"> • Planning compensation for family members * • Pay and incentives for key non-family employees * • Family code of conduct • Developing shareholder liquidity programs • Planning in-law’s role • Revitalizing strategy • Involving talented third generation family members • Career paths for family and non-family managers * • Planning to perpetuate family leadership * 	<ul style="list-style-type: none"> • Shareholder harmony, commitment and education • Family conflict resolution • Planning allocation of capital • Structuring a portfolio of businesses • Developing a family council • Developing a family mission statement • Planning a role of inactive shareholders • Planning ownership structure • Planning family linkage with the business • Articulating family tradition, history and culture
FINANCIAL ADVISOR	<ul style="list-style-type: none"> • Planning ways to finance growth * • Developing financial reporting and management • Mentoring successors * • Helping structure ownership transition * 	<ul style="list-style-type: none"> • Planning to provide shareholder liquidity * • Advice on business expansion and growth * • Anticipating capital needs * • Financing shareholder buyouts or liquidity programs * 	<ul style="list-style-type: none"> • Reviewing ownership structure • Financing business expansion and growth • Planning allocation of capital
TRUST OFFICER	<ul style="list-style-type: none"> • Estate planning * • Gifting of shares * • Planning trusts * 	<ul style="list-style-type: none"> • Planning ownership structure * 	

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