



Oregon State University

College of Business

Tips for Hiring a Professional Advisor for your Family Enterprise

Hiring a professional advisor is among one of the most important decisions you can make as a business leader. There are many factors to consider and your decision can have long term effects on your family and your enterprise. It's also important to understand the complexity of managing various roles within a family business, and that usually means you will need to work with a wider variety of professional advisors beyond a general accountant and business attorney. Following are some guidelines and questions to consider when you are ready to hire a new advisor.

1. Understand which kind of advisor you need
2. Where to find advisors
3. Key questions and considerations when hiring an advisor

Understand which kind of advisor you need

There are a variety of professionals that are able to help with the specific needs and issues your family business is likely to encounter. Try to put the problem you need to solve and/or specific goals down on paper so you can understand and articulate just why you are hiring an advisor. This will help to determine which kind of advisor you need, and what their general role will be as part of your advising team. Seek input from family members when formulating your needs and goals for an advising engagement.

For example, if you just need to update an estate document, then an attorney that specializes in wills would be able to perform those tasks quickly without knowing much about your situation. In contrast, if you need a facilitator to help structure a succession plan and your family has yet to have a conversation about the process, then you will likely need a professional with a wider understanding of family dynamics, facilitation, and who is able to engage over a longer period of time.

Following are brief descriptions of common family business advisors.

Accountant – Accountants provide advice and services related to the financial records of your business. Accountants can specialize in several areas including tax, auditing, investment, or public accounting.

Attorney - Attorneys may play many roles as an advisor while addressing the needs of the business; contract creation and negotiation, determining business and capital structures, assisting with labor or HR issues, helping to establish business governance policies, etc. They may also work with family members on a variety of issues including creating prenuptial agreements, estate plans, trusts, or helping plan for payment of tax obligations.

Banker – Business bankers help with financing business operations, including loans, lines of credit, and employee benefit plans like 401k and pensions.

Family Business Consultant – Experts in family and business dynamics, family business consultants may have backgrounds in another disciplines. They can help with larger overall questions about the future of the family business, such as succession planning, communication and conflict, and next generation readiness. They likely have a network of other advisors that can assist with specific needs as they arise.

Financial/Wealth Advisor – From a business perspective a financial advisor may help with planning for the liquidity needs of shareholders and capital needs of the enterprise. They may assist with implementing strategies achieve these goals, and manage them on an ongoing basis. From a personal perspective they may work with individual family members to manage retirement planning or with the next generation to understand financial commitments when becoming more involved in the business.

Insurance Advisor – Insurance experts can help a business manage risk and liabilities. They may help to identify policies that can help to address future estate taxes, or the financial security of surviving family members in the case of an accident.

Investment Advisor – An investment advisor can assist with the valuing, and sales and acquisition, of assets and businesses. They can also help identify potential investors and design dividend programs for shareholders.

Mediator – Mediators can help with dispute resolution among business or family members. They act as neutral parties to help understand problems and discover options for resolving the dispute.

Psychologist/Therapist – A trained psychologist or therapist may be able to help with a variety of issues within a family business including addiction issues, relationship conflict, transition issues (e.g. helping individuals transition into or out of the business), or improving overall family communication.

Where to find Advisors

Finding qualified advisors with a deep understanding of family business can be a challenge. Here are some ideas on where to compile a list of potential candidates to interview for your next advisor engagement.

Referrals from other family businesses – Seek out other family businesses with whom you are familiar and respect. They may be willing to offer advice and referrals to professionals that have been helpful to their business.

Advisor Search – The OSU Center for Family Enterprise website hosts the Advisor Search listing. Past Excellence Award honorees have provided information on professionals that they would recommend to other family businesses. <http://business.oregonstate.edu/familybusinessonline/advisor-search>

Trade Organization members – Trade or commerce organizations to which you belong may be good sources for advisor recommendations.

Family Firm Institute – FFI educates and connects professionals that serve family enterprises. They maintain a directory of FFI members who actively consult at <http://www.ffi.org/?page=consultantsus>

Attorneys for Family-Held Enterprises (AFHE) - A non-profit organization comprised of mid to senior level attorneys with a focus on family enterprises. You can search members at their website <https://www.afhe.com/Directory>

National Association of Estate Planners and Councils – Provides an online searchable database of program-accredited estate planners. <http://www.naepc.org/designations/estate-law/search#members/AEP/OR/>

Key questions and considerations when hiring an advisor

Competence/Qualifications/Industry Knowledge

What are the advisor's professional credentials and educational background? Does the advisor have experience working with other family firms? It's also beneficial if the advisor has experience either working with businesses in, or direct knowledge, of your industry. This will reduce the amount of time it takes them to become familiar with your operations.

It's also important that advisors are willing to meet with multiple family members and other advisors that you may already have on your team in order to meet your goals. If a situation arises that is outside of the advisor's area of expertise are they willing to call in other advisors to assist? For example your attorney may need to partner with a family facilitator in order to move succession planning forward so that agreements can be signed.

Check with the advisor to see if they have ongoing training relative to family business issues, or if they have access to a family business practice group within their organization.

Look for alignment in values

It's important that the advisor's values are such that you and your family can have a productive working relationship together. A perfect values match may be unrealistic, but some alignment will be beneficial. Some examples include attitudes about faith, philanthropy, and education of families.

Disclosure of conflicts of interest/Neutrality

Will the advisor have relationships with your competitors, or other family members, that may hinder their ability to treat your engagement as neutrally as possible? It's important to determine who the client will be in the advising engagement to reduce potential misunderstandings between family members. Ask the advisor how they will engage with the family to ensure neutrality among the family members.

You should also have an understanding of the other services and products in an advisor's portfolio and be aware if they will try to sell additional products during your engagement.

Measuring progress/results tracking/failure to meet objectives?

How does the advisor measure their engagement and progress towards your goals? How will you know if your goals have been successfully met? What happens if the advisor fails to meet the objectives of your engagement? What is the advisor's failure rate when working with family businesses?

Refer back to your original intentions for hiring the advisor (as noted in the first section of this document), and check the engagement documents to ensure your goals are clearly specified and the billing structure accurately reflects your needs.

Clear and transparent fees

How will the advisor charge for the engagement? As a retainer with a standing fee, by the project, or hourly or daily? Does the advisor charge for non-scheduled time needed during the engagement, e.g. phone calls or email questions? You should come to an understanding of the fee structure in writing before finalizing the terms of the advisor's engagement. Do not base your decision solely on the advisor's fees, as it is not necessarily an accurate indicator of quality.

Check References

A key step in the due diligence process of hiring an advisor is checking references. Advisors should be willing to provide references from past family business advising engagements. Look for situations where the advisor worked with a problem that is similar to the reason you would like to hire the advisor. How did the family work with the advisor? Did they feel respected and engaged with the process?

Resources

OSU Center for Family Enterprise Advisor Search webpage:

<http://business.oregonstate.edu/familybusinessonline/advisor-search>

The Family Firm Institute has recommended several best practices that professional advisors should follow when working with family firm clients. These can be helpful to review when you are conducting your search for professional advisors. They can be found at:

<http://www.ffi.org/default.asp?page=BestPractices>

Family Business 360 Podcasts: The OSU Center produces a podcast series featuring interviews with professional advisors on a variety of family business topics.

<http://business.oregonstate.edu/familybusinessonline/podcasts>

Ties to the Land: This succession planning resource, which is geared towards family forest and land owners, has an article specifically dealing with finding estate planning professionals.

http://tiestotheand.org/sites/tttl/files/page_files/Ties%20to%20the%20Land%20Article%208%20-%20Finding%20Estate%20Planning%20Professionals%20%282%29.pdf

How to Choose and Use Advisors: Getting the Best Professional Family Business Advice (2010), Craig Aronoff and John Ward, Palgrave Macmillan