

Hello, this is Wayne Rivers at The Family Business Institute. Thank you for tuning in. Please give us the benefit of your thinking. We love your comments and we address each and every one of them and also click on our social media icons and follow us on social media. We appreciate that too.

This week I want to talk about the five advisors you have to have in your family business and one kind of advisor that you don't have to have.

So why is this important? Well, if you want to be successful in business over long periods of time, you better find talent and I'm not just talking about your employees. Your outside advisors. You need to put as much time and effort into finding the right set of advisors for you as you grow, especially, as you do into finding the right talent to come work for you.

What are the five advisors? Number one is the CPA. You've got to have a Certified Public Accountant, you've got to file your taxes, you've got to do all the compliance stuff that the various levels of government require.

The second, you have to have an attorney. In today's world, if you don't have ... And I don't mean one attorney, necessarily. We think of, oh, I don't know, Perry Mason, if you want to go back a number of years. Perry Mason being this lawyer that could just do anything but today you need a law firm because there's so many different specialized things, construction law and estate planning and business law. They're all quite different and a good sized law firm will have experts in each of these areas that can help you.

You've got to have a bank and a banker, surely, you've got to have bank relationships. You got to have insurance, my gosh. Please. If you don't have all the various kinds of insurance that you need, go out and find it, holy moley.

And finally, if you are a little bit successful over time, you're going to need an investment person. If you have a 401(k) plan or something like that, you need an investment person.

Those are five advisors that I don't think any family business can really get by without for very long.

Okay, so, who's not on that list? Well, consultants are not on that list. Consultants are not on that list. You don't need consultants all the time. Now, how would you know what would be an appropriate role for a consultant for example? Consultants are really good for bringing in on temporary or really specialized projects like IT projects or family business succession, the kind of stuff we do. It's specialized, it's unique, it only comes up once in a while. You do your payroll withholding weekly or bimonthly or whatever, that's kind of routine. Succession planning for a family business is never routine and it only comes up once every generation or so.

The second area where you might need an outside consultant is simply the answers that you need aren't in the wheelhouse of your traditional five advisors. You need a new, fresh way of looking at things. You need a deeper dive, a deeper analysis of the problem and perhaps a fresh view of what outside alternatives might exist to resolve the problems.

And then the third area where you might need a consultant is really your long-term planning. Things like financial and performance benchmarking against the industry so you can focus on your margins or the productivity of your employees or your gross revenue for employee. Those kinds of standardized financial and performance numbers that help you know if you're being effective and efficient and profitable as a company.

The second thing you might need help dealing with unproductive family members or unproductive team members for that matter. Sometimes it helps to have an outside third party help evaluate along those same lines. Another is helping objectively evaluate the future leaders of your company. If you've got a wonderful team and you've got a half dozen young people that you think have tremendous capabilities for being leaders and three of those young people happen to be your children, you might need some objectivity from an outsider in order to be able to evaluate them in a fair and evenhanded way.

The keep or sell decision. Every business, every family business, every generation or so has to decide, "Are we going to keep this business in the family or are we going to try to open it up and sell to outsiders," whether they happen to be current employees or outside the company altogether. And that decision is fraught with emotion. It's the kind of thing you wouldn't undertake lightly. The knee jerk reaction, "This has been a family business for two generations, we'll be a family business forever." I don't think people make that knee jerk reaction they once did. I think today people are much more interested in meritocracy and evaluating fair alternatives for not just family members but also for long-term valued key employees and the decision might be a little more complex today than it once was.

And then long-term business planning and budgeting that five year forward looking proforma financials and what HR needs are we going to have and what geographies are we going to be in and what lines of business. The forward looking, far reaching business planning that all of you should be doing is the kind of thing that you might hire a consultant for.

Now, a good consultant will work him or herself out of a job in three to nine months. That's average. Three to nine months is what a typical consulting project might look like, depending on what it is that you're undertaking.

The biggest difference between the five traditional advisors that you need on board all the time and consultants is you just don't need consultants all the time. You need them once in a while. When you do have that specialized need, you reach out, you find the right people, and you get it done. But your five key advisors, you keep them on board and close to you all the time.

Love to have your comments, this is Wayne Rivers at The Family Business Institute.