Being surrounded by competent advisors can be the difference between being “in” or “out” . . . of business.

By Leon A. Danco, Ph.D

All growing owner-managed companies need the services of the finest advisors the business owner can find.

Perhaps you’ve already got the best available advisors, or you’re presently taking action to that end. Fine. But what then? What do you do to assure yourself of getting the real benefits of their talents and abilities? Rarely does the average business owner spend time with his advisors together, rubbing elbows over problems around the same table. Instead, he functions like a king on a throne. He summons Advisor A to talk with him. He listens. He argues and discards. Then, in turn, he summons Advisors B, C, D, E, and F and auditions them individually to test their answers. He functions this way in order to “confirm” his opinion. The rest of their advice he neither hears nor takes. He’s really practicing self-taught brain surgery.

What a waste of time and effort to go through this rigamarole of selective nondisclosure. If you really want your advisors to help you, you will have to abandon this watercooler schedule. Instead of ladling out bits of knowledge to each of your advisors in individual sessions, you should invite them all to share the problem. You must let each advisor gather a little side support from his peers. You must let each one know what the others know, so that together they can surround a problem and help you find the answer. You’ll be amazed by the results. What you will have each time you arrange such a session is a private business seminar of your own. The instructors are competent informed professionals whose major concern is to assist you as business owner in maximizing your options by offering viable alternatives to your plans and needs. Those men can assist you and your board in a periodic audit of your actions by providing data on which corporate implementation can be based, continued or terminated and by introducing into your thinking other opinions than your own.

When you do bring them together periodically, they’ll tell you that you are going to have to do things differently. You’re going to have to institute a budgetary and cost allocation accounting system. You’ll need some long range financing plans, more market projections, some employee training, some organization building, capital equipment planning, etc., etc. What a list! That’s why nobody starts a business with professional advisors and accounting systems and budgetary controls and organizational charts. If an owner had all that stuff, he

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wouldn’t have had the time to make, buy, or sell his products and services and make money. So first things came first.

Concerted Action...

The vital role which a competent council of advisors plays in the functioning of an owner-managed business was made remarkably clear to me recently. A contractor I know who operates a 25 million dollar business employing about 250 people was faced with a deep facial crisis as the result of a combination of several bad job cost over-runs and some major estimating errors due to faulty information. He called me one day in panic. He was in bad trouble.

I had known this man for about a year. When we first met, he was very cagey. He probably would not have told me the time of day without asking why I wanted to know—or what I was going to do with the answer when I got it. Gradually we began to build up some trust between us. However, early in our association, I examined his advisors. His lawyer, who was close to eighty, had originally incorporated the firm 43 years before for his father. He was certainly not a very impressive attorney for a prominent construction company. His accountant who handled his finances did the company books on the side; his major source of revenue came at income tax time as the financial mouthpiece of the medical community in the town in which the firm was located. Although this owner manager virtually owned one of the largest companies in town, and maintained large deposits in two leading banks, he had never really leveled with the president of either bank, because he was afraid of both gossip at the club and unsolicited advice on his management practices.

One of the first changes suggested was the development of a council of advisors. We found a top notch young corporate attorney from the major law firm in a nearby city. We sent the individual tax practitioner on his way and brought in a major accounting firm to redo the entire accounting system. We scheduled several lengthy meetings with one of the bankers and laid out plans for the future capital needs of the business. We had to locate a management consultant with extensive personnel experience to monitor the company management recruitment programs. We had an insurance man who was a C.P.C.U. (Chartered Property and Casualty Underwriter) recheck the company’s liability insurance and we drew up suggestions for revising the total corporate insurance program. For nearly a year all these men met quarterly with the owner and his financial vice president as a council of advisors to them.

When the call came through that day, I was concerned, but not alarmed. I knew this business owner had the resources to deal with his problems. I suggested he call a special meeting of all of his advisors and his key managers as early as it could be scheduled.

As the situation was outlined by the president, the advisors moved quickly. Fully aware of the company’s plans and resources from previous council meetings, they acted like a real pro team. The accounting firm helped the firm’s vice president and his staff prepare a detailed cost analysis of the overruns for use by the attorneys in seeking a price increase from the developer. The personnel consultant made recommendations as to management shifts that could be made in both the field and the office to put together a “top team” to try to roll back some of the impending job costs forecasted. The attorney and the insurance counselor were able to seek redress against the engineering firm that had provided much of the faulty data on which the estimates were made in good faith.

For its part, the bank agreed to make available a line of credit for substantial amounts of money secured against the general credit of the firm which they knew to be sound despite the imminent liquidity crunch occasioned by the untimely sequence of events. While there was no way to negate the effects of the unfortunate
management errors made by the company, near catastrophe was averted; collective, remedial and self reinforcing actions were taken promptly, and there was no panic to add to the business owner’s troubles. He was satisfied that he was not “alone.” After the dust settled, he called me again. “Can you imagine what a mess I’d be in now, if I hadn’t created that advisors council?” he asked. I certainly could imagine it, and I told him so. “Well,” he growled, “I just wanted to say thanks. I used to worry about telling my advisors so much about my company. But I sure am glad, now, that I did.”

Hopefully, it will not require a crisis before business owners appreciate the value of top quality advisors acting in concert. The peace of mind that comes from knowing that they are supported by the best minds in a variety of professional fields should have value enough to convince business owners that they can’t afford either cheap or conflicting advice. All growing companies need the services of the finest advisors they can find acting together in continued commitment to help the business owner and his management plan and act with confidence on the more difficult decisions resulting from success.

Consultants: How Costly?

On occasion, many businesses will develop a problem which, by the admission of a committed council of competent advisors, is not within the specific province of lawyers, bankers, accountants or insurance men. The problem needs solving, but often neither these advisors nor the owner managers have the time or the expertise to find a solution. Perhaps they are so engrossed in specific aspects of the business that they cannot see the forest for the trees. Perhaps it is their own performance which is at fault and which the owner manager is afraid or unable to evaluate. Often, specific personnel or technical problems demand answers which are not available from other members of the management team.

Difficulties of this nature are the province of a whole range of specialists known as consultants; These men are experts in handling specific types of
problems within a business; ineffective production operations, personnel conflicts, management and material procurement, fringe benefit programs, marketing reorganization, successor evaluation and education and long range planning. Unlike other advisors, top consultants are not usually employed on a long-term basis. Their function is to minister to specific problems and then get out. This does not mean that they may not be called back at another time to deal with another problem, but their relationship with the firm is usually on a short-term basis to advise on a specific situation or series of situations.

The average business owner greets the suggestion that he needs a consultant with the same relish that he would if someone told him he needed a psychoanalyst, but the consultant is not in the couch business. He doesn’t expect the business owner to replay his childhood. He’s not interested in the twists of his libido. He will want to take a long look at the business and its needs, its markets, its products; its assets; how the owner works with his managers, advisors, and directors; how he develops his employees; how the management and employee groups work together and the results of the owner’s management style. He may have some pretty strong suggestions about the things which must be changed in order to avoid a strike, head off a take-over, develop/acquire new products/markets, establish pension funds, increase market share, recruit top-level management, or counter a host of other problems. Many businesses are strong and thriving today because of the providential probing of an experienced and competent consultant.

THE ADVISORS” OR LET EVERY RASPUTIN HAVE HIS TURN—BUT THEY’LL NEVER MEET TO AGREE!

THE COUNCIL of ADVISORS— HOW IT SHOULD WORK—ALL TOGETHER!

To the owner who says, “I can’t afford a top consultant,” I again offer the reminder: There is nothing more costly than bad advice or no advice at all, when the walls come tumbling down.