

## Making Use of Outside Expertise

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### Formalizing Management

- ✓ Planning
- ✓ Human Resources
- ✓ Written Policies
- ✓ Outside Expertise

### Using Outside Advisors

As a business matures, it needs to draw on the advice of professionals who have expertise in particular areas. Using the services of experts in the areas of finance, law, taxes, family relations, and business and succession planning will greatly increase the chances of a business' success.

Outside advice is usually introduced to family businesses in two ways: by contracting services of professionals with expertise in specific areas and by establishing a board of directors or an advisory board.

#### Advice

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

Philip Dormer Stanhope, Earl of Chesterfield

Running a family business is a complex task, one which can be greatly assisted by calling on experts for advice. Yet many businesses are reluctant to make use of advisers. Many family farms have been run, often very successfully, by the founder and perhaps a son or daughter who have always done things their way, with no help from anyone. While this self-sufficiency can be a great virtue, it can also be a prison, preventing the business from growing. According to one business consultant, the one "miracle drug" that could cure many family farm business' problems is to eliminate their isolation — to reach out to people with specific expertise. These people include farm business advisors, family business consultants, bankers, accountants, lawyers and insurance agents.

There are many reasons why many farm owner/managers are reluctant to use experts. One is pride. Another is fear of having to admit they don't know everything or can't solve their own problems. Another is reluctance to reveal details about the business that they may not want to share. Yet another may be uncertainty about the quality of the advice they're going to get and how much the consultant will cost.

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Many of these fears arise from misunderstandings about what consultants can offer. In fact, by using outside advice, farm managers may find new and better ways of doing things. By checking plans through with experts before implementing them, costly mistakes may be avoided.

Below is a list of some advisors commonly used by farm businesses with a brief description of the services each offers:

- **Family business consultants** – are able to combine business consultation with a perspective on family dynamics and relationships in the resolution of business issues. They can advise on succession planning, strategic planning, human resource management and family business matters.
- **Accountants** – one who specializes in agricultural businesses will have broad experience in helping to set up management and accounting systems which have proven to work. They can also offer financial analysis, tax advice, valuation and assistance in retirement planning.
- **Bankers** – can help set up loans and offer advice on how to finance growth or succession.
- **Lawyers** – can review and give advice regarding the legalities of succession plans or other legal matters relating to a business or family, for example, incorporation or divorce. One with agricultural experience is preferable.
- **Insurance agents** – can advise not only on such needs as property and life insurance, but can also help put together plans that could facilitate succession or retirement needs.

There may be times when having your advisors work as a team would be beneficial. Using this method, they will be aware of how what they're advising will affect other aspects of your operation. A team approach can produce a synergism so that the total effort and results will be superior to what the same people working as individuals could have produced.

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### ***How to choose advisors***

You should feel comfortable with any advisor you choose to use. It's important that you feel able to talk to this person. You should feel that you're on the same wavelength. Specific attributes the advisors should display include the following:

- up-to-date knowledge of their field of expertise
- a history of practical experience
- a willingness to communicate openly with all family members
- an ability to explain all technical terms in understandable language
- an understanding of how families work
- a desire to ask questions and probe where the business is going in the future
- a willingness to work with other advisors
- an ability to be honest, even if saying certain things may ruffle the client's feathers

As you seek outside advice, remember that service is the key. The family business team and the advisor together need to define the relationship, understand what is expected of each other, describe the expected outcome and know the responsibilities of all involved.

When seeking an advisor, try the following:

- Ask around. Talk to others who have used advisors and get recommendations.
- Enquire at seminars or workshops.
- Contact professional associations to see if there are people in your geographic area who specialize in the matters for which you need advice.
- Ask your agricultural representative for suggestions.

As part of the process of choosing an advisor, set up an interview with the person to discuss your needs and expectations. Establish an understanding of what the responsibilities of each party will be. Seek out the strengths and weaknesses of the advisors to determine if in fact they can meet your needs. Look for certifications,

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such as CA, CGA, CMA for accountants and P.Ag for farm advisors. If you decide you want to use their services, schedule the next meeting and prepare an agenda and time frame.

Before hiring an advisor, discuss what payment the expert will require. Although paying consultant fees may seem like an expense that's hard to justify, if by so doing problems can be avoided down the road, the expenditure will have been well worth it.

Before interviewing a consultant, make a list of the things you expect to gain by using this advisor. Then prepare questions that will give you the information you seek. You could use the following list of questions as a guide for formulating the your own questions. Add any others that will yield the information that you want.

#### Sample Interview Questions

- What kind of training do you have?
- What certification do you have?
- How long have you been doing this kind of work?
- What experience do you have in working with farm businesses similar to ours?
- Give them examples of situations in your business that you would like the consultant to deal with. Ask them how they would approach it.
- Ask for references.

In an interview, ask for references and then check with these references. It's important to know if other people have found working with the advisor to be satisfactory. In doing a reference check, explain to the person you're calling that you're considering hiring \_\_\_\_\_ (give the name of the consultant) and that he/or she has given his or her name as a reference. Then ask questions about their experience dealing with the person in question.

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*Board of Directors;  
Advisory Board*

A multi-generational family farm is a complex business. Making use of expertise from outside the family can greatly enhance the range of information available and the quality of decisions made. There are two advisory options farm businesses use:

- a board of directors
- an advisory board

A board of directors is a formally structured governing body of a business. It has the responsibility of solving problems and making decisions to enhance the interests of the business. Many farm businesses have a board of directors, whether the group carries the formal title or not. Often in the early stages of a business' growth, everyone involved with the farm will be a member of the board.

Other farm businesses choose to use an advisory board, a group made up of respected peers, who aid in planning and decision-making. An advisory board carries less formal power than a board of directors.

In many farm businesses, only family members are board members. Yet research shows that introducing outsiders to the board of directors, or appointing an advisory board, brings different perspectives to the table and can greatly improve the quality of the decisions made.

*Many business consultants feel having outside input into any family business is valuable and beneficial.*

In a study done by the Harvard Business School, the Chief Executive Officers of family businesses were asked to rate the effectiveness of their board of directors. The most common board, one comprised entirely of family members, received the lowest value rating. The highest ratings were given to boards comprised of five or more outsiders.

Many business consultants feel having outside input into any family business is valuable and beneficial. By carefully selecting trusted, respected people from outside the family to sit on the board of directors or advisory board, different perspectives and insights can be brought to the business. Consider selecting other successful farmers, business people from another industry, or a member from another family business. Professional advisors such as lawyers and accountants are not considered good candidates for the board. Instead, these people's expertise should be sought and used outside the context of the board of directors or an advisory board.

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As a business matures and moves toward formalizing its management, it should seek input from people outside the family. Creating a non-family board to help run the business, and giving them information and responsibility, is a powerful method of insuring a healthy, long-lived family business which will remain true to the mission and vision of the farm.