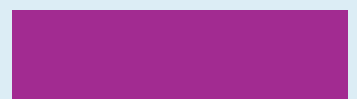
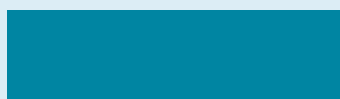




# Tips on Choosing a Family Consultant



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## Tips on Choosing a Family Consultant

The field of family consulting covers many areas that are related but also specialized, including the terms commonly used. *Family enterprise consulting* often refers to those activities designed to help a successful family deal with the complexity of owning an operating company, an extended family-owned enterprise, and/or a family office. *Family wealth consulting* often refers to activities designed to help families understand, learn, collaborate on, and resolve issues more related to personal and family wealth and the impact on relationships. However, the distinction between these types of consulting often gets blurred, which is one of the difficulties in finding the right consultant(s).

A successful relationship with a consultant for family dynamics, wealth adjustment, and/or family governance starts with a good understanding of the family's needs and decision-making process. It proceeds through choosing the right people, then working with them effectively.

### Decision-Making Fundamentals and Needs Assessment

The family must first do some work together on the process itself. This doesn't have to be complicated, but there are some fundamentals that will streamline the process. Discuss who will be the primary decision-makers in hiring the consultant – is this a collaborative process with input from everyone,

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from only certain generations, from only certain family leaders, or from one leader? How will information be shared and received? To keep the process manageable and moving forward, some families distinguish who will have a *voice* (input) from who will have a *vote* (decision-making). Getting the information-sharing and decision-making steps clear in the beginning helps avoid misunderstandings and unmet expectations from derailing the process.

Next, what areas does the family need help with? This background work is crucial before looking for possible consultants. It is also the step that is most often skipped, with consequences for the success of the consultation. Here are some general guidelines about the broad areas of family wealth and/or family enterprise consulting:

## FAMILY WEALTH VS. FAMILY ENTERPRISE CONSULTING

FAMILY WEALTH CONSULTING	COMMON TO BOTH	FAMILY ENTERPRISE CONSULTING
Family dynamics in the context of wealth – no family business present.	Family dynamics where a family enterprise is present but not necessarily related to the issues at hand.	Family dynamics largely related to a family business, family office, or family foundation
Wealth identity and adjustment as an individual.	Identity related to wealth and social position due to an enterprise	Identity and adjustment related to working in, owning, and being known as part of a family enterprise
Wealth in relationships – dating; disclosures; partnering with someone of the same or different economic background; engaging in cohabitation, premarital, and marital agreements	Prenup and cohabitation agreements with both ownership and wealth aspects	Relationship issues impacted by the family enterprise – siblings, cousins, generations; engaging in cohabitation/ marital and legal agreements that impact ownership roles and responsibilities
Leadership or transition planning in work or outside philanthropic settings impacted by wealth identity and skills	Management and leadership issues affecting both enterprise and outside work roles	Leadership and transition planning in the family enterprise, whether in businesses, family offices, or foundations
Learning and development of the upcoming Rising Generation and other family members (e.g., spouses and life partners) on money and wealth skills; understanding trusts and beneficiary roles/ responsibilities; personal roles and responsibilities with wealth	Education and development related to both family enterprise and personal responsibilities.	Learning and development of the upcoming Rising Generation on ownership skills, board/director skills, management skills in the enterprise or family foundation; understanding ownership trusts and beneficiary roles/responsibilities related to ownership

FAMILY WEALTH CONSULTING	COMMON TO BOTH	FAMILY ENTERPRISE CONSULTING
<p>Understanding <i>family governance</i> including family councils and family assemblies (if present); family decision-making focused on wealth management, distribution, stewardship, and transfer</p>	<p>Understanding governance across the full spectrum of enterprise and family</p>	<p>Understanding <i>family enterprise governance</i> including shareholder or partnership issues, business valuations, and board decision-making</p>
<p>Parenting with wealth – teaching money and wealth skills to children; discussing wealth identity; handling reactions and behaviors by non-wealthy individuals; educating children for future decision-making with wealth</p>	<p>Parenting issues across the full spectrum of family and enterprise</p>	<p>Parenting mostly related to education and preparation for family enterprise roles and responsibilities</p>
<p>Physical and/or mental health issues impacting the individual, couple, or family unrelated to any business issues</p>	<p>Health issues impacting the full family system</p>	<p>Physical and/or mental health issues primarily affecting roles, responsibilities, leadership, transition planning, or governance in the family enterprise</p>
<p>Discussions and decisions about estate planning, legacy, and stewardship where a family enterprise is not present</p>	<p>Legacy discussions impacting enterprise and non-enterprise issues</p>	<p>Discussions and decisions about estate planning, legacy, and stewardship where a family enterprise is present</p>

This table is not exhaustive but representative of ways to think about what the family needs for consultant skills and services. Many family business consultants are very skilled at issues related to designing or improving family ownership or management matters. They may be less adept with topics related only to wealth. Similarly, many family wealth consultants are psychologically trained and adept at relationship and adjustment matters, but they may know less about boards, governance, and shareholder issues. Make sure the family knows what it needs before searching for a consultant.

### Compile a Job Description Together

The family should then collaborate on a description of the work anticipated. This step can help reveal differences that family members may have about the consultation. Some family members may prioritize some tasks or issues while others have different views.

The needs assessment and crafting of the job description require a family to listen to each other, communicate respectfully, and negotiate to a final



description. If this process is one of the difficulties the family needs help with, it can get contentious. Rather than write a description that leaves out important minority views, it is better to include comments about differences of opinion in the description and then discuss these with potential candidates.

Add parameters such as how soon the consultation is needed, how long it is envisioned to last, how many family members may be involved in the process, and whether extensive travel is anticipated versus mostly virtual meetings. If this consultation is the family's first, view these parameters as reasonable guesses, since these may get refined during the interview process or once the consultation starts.

The balance between in-person family meetings and virtual/online meetings is important for two reasons. One is that it may impact the convenience and choice of where the consultant is located – geographically close (more in-person work) or far away (mostly virtual meetings). The other is cost. In-person meetings are often more expensive than virtual meetings when pricing a consultation.

In general, cost is an important factor but should not be a major determinant in the choice of a consultant. Many families feel a bit of sticker shock when vetting consultants, but this is not an area to skimp on or to bargain heavily about. A good consultant provides great value and is worth the expense, considering the family's overall resources and the future impact on the family's well-being and success. At the same time, cost and skill are only moderately correlated. The highest-paid consultant(s) may not necessarily be the best or most appropriate for the family. Determine who has the skills to get the job done in the most efficient and effective way possible.

## Create a Short List of Potential Consultants

The family should then seek input from multiple sources about possible candidates. Good resources may include the family's wealth managers, attorneys, or philanthropic consultants. However, be careful. The family's advisors may know only a limited pool of

consultants, depending on their experience in this area. They may also recommend someone familiar who may not have the breadth or experience for what a family truly needs. Larger family offices or well-established institutional firms may know a broader network of potential consultants.

Many professional organizations in the field maintain directories of consultants, plus there are ways to find individual consultants or groups. These include the following:

- The Family Firm Institute (FFI) [www.ffi.org](http://www.ffi.org)
- The Purposeful Planning Institute (PPI) [www.purposefulplanninginstitute.com](http://www.purposefulplanninginstitute.com)
- STEP Business Families Special Interest Group <https://www.step.org/special-interest-groups/business-families-global-special-interest-group>
- Family Enterprise Canada (FEC) offering the Family Enterprise Advisor (FEA) designation – [www.familyenterprise.ca](http://www.familyenterprise.ca)
- Family Business Network (International) [www.fbn-i.org](http://www.fbn-i.org) and country-specific chapters such as FBN USA [www.fbn-usa.org](http://www.fbn-usa.org)
- Family Office Exchange (FOX) – [www.familyoffice.com](http://www.familyoffice.com)
- Organizations and peer networks who use consultants such as YPO, TIGER21, Vistage, CCC Alliance, Family Wealth Alliance, the FORGE Community, and others
- Consulting groups – While many consultants work alone or with another colleague, there are many consulting firms with multiple members or a consortium of affiliated professionals. These have advantages of breadth and experience but also may have individual consultants of varying quality. Contacting the main number or website of the group will often get a person who takes information and relays it to a person or committee who suggests a likely consultant to put forth. This internal process has its own advantages and risks. When specific consultant(s) are offered,



ask how the process was determined and be ready to negotiate a different affiliate member if necessary.

- Word-of-mouth referrals from other families in similar situations – This may be useful but also has risks based on potential biases, limited networks, or local factors compared to what is really needed. Someone who was great with one family may not be helpful for a different family.
- Searching the Internet – Some keywords to use in searches include *family business consultant, family dynamics wealth consultant, family wealth leadership coach, family wealth education* and *family business coach*, among others. Be careful not to get diverted to the many financial advisors who say they emphasize “a family approach” but are still primarily oriented to investments or financial planning.

Compile a spreadsheet of perhaps five or six potential consultants to investigate further. Designate one or two family members to contact the candidates via email, phone, or website contact pages. Explain briefly who the family is and what they are looking for. From this very first contact, get a feel for the individual’s manner, professionalism, sense of engagement, responsiveness, and interest. If the person is interested, appropriate, and available, proceed to the next step of vetting candidates.

*Note:* Consultants too busy or otherwise not able to take on the family may still be very helpful. Some may be willing to give a general overview of what they think may be needed and who, among their colleagues, may be appropriate to contact. This type of word-of-mouth recommendation from a professional insider may be extremely valuable in narrowing the search. Don’t be afraid to ask.

At this stage, candidates may or may not be willing to give specific fee ranges or estimates for the work.

They may need to know more about the consultation before pricing it. However, it does not hurt to ask about their fee structure and general fees. More detailed discussion of likely costs and fees will occur at the next step as the list is narrowed.

## Interview and Narrow the List of Candidates

The family should then interview prospective candidates to narrow the search. Interviewing itself is an art and a skill. Here are some tips:

- **Set enough time for the interview.** A half hour may be too short unless it is very clear the candidate is not suitable. An hour or 90 minutes online may be better, particularly if the interview is being productive.
- **Decide who has the skills to take the lead on interviewing, though several family members may participate.** This helps conduct interviews in a fairly consistent manner so the family gets similar information across all the interviews. It also appears more organized and efficient to the consultants who are developing a sense of the family. Be prepared with relevant questions and watch the time.
- **The most typical measure for hiring - but the least predictive of success - is likability.** The candidate needs to seem likable, warm, and engaging, but multiple studies have shown that likability is a poor predictor of competence or success. Be careful of simply wanting to hire a candidate because of an enjoyable manner or apparent culture fit with the family. Although these will be important in the relationship, they are not at all predictive of the skills to get the job done. Resist the temptation to hire someone based largely on how he or she makes the family feel.
- **The best predictor of a good hire is having the skills and behaviors to fulfill the job requirements.** This is why a good needs assessment and job description are so important. Interviews should use what are called *behavioral interviewing techniques* that elicit evidence someone actually has the skills, behaviors,



and experience to do what is needed. Examples of behavioral interviewing prompts include the following:

- Please give an example where you worked with a family like ours on the issues we are concerned about.
- Tell us about a time when you were working with a family and a conflict arose in the family that you had to handle. What did you do and how did it turn out?
- Tell us about a time when you and a client family had a conflict over the consultation itself and how you handled that.
- Describe a family consultation situation where an issue arose that was not within your expertise.
- Tell us about a situation where you had to be direct with a family or family member about an issue impacting or impeding the consultation.
- Have you ever ended a consultation because it was not being successful? How did you decide to do that, and what did you do?
- When a consultation became more extensive or complicated than anticipated, how did you handle the fees that had been agreed upon?

The key is that these are real-world situations that require skill to handle. Listen to the candidate's answers - are they specific and clear, or vague generalities? Does the candidate avoid answering or not know what to do? Do their answers impress with their skill or seem simplistic and superficial? If the candidate does not know or has never encountered the situation, do they admit it? The family is looking for *demonstrated* experience, integrity, and skill, not abstract knowledge or guesses.

- **Make time for prospective consultants to ask their own questions of the family.** This is an interview from both sides, looking for a good fit. Be prepared to answer their questions openly and with reasonable detail, particularly around such issues as prior consultants the family has had, other attempts to fix the problem, and how decisions are made in the family. Also, be open to what the

consultant may have to say about the family's needs and the work to be done. Do not immediately reject what the consultant says if he or she points out gaps, hidden problems, or a different way to frame the issues. They may be speaking from knowledge and experience. It also may significantly shorten or lengthen the consultation.

- **Ask about practical logistics of the consultation.** Who will actually do the work? How many people will be on the team? How available will the consultant(s) be? How will any discussion about accountability or performance problems be addressed? Will there be planned times for evaluating the status of the consultation? What billing model does the consultant prefer (hourly, per diem, quarterly retainer, project fee, other) and is this agreeable to the family?
- **If the family is transitioning from another recent consultant, ask how the new consultant will utilize the perspective gained by the outgoing consultant, based on activities already performed at the family's expense.** Many incoming consultants will just propose their typical process as if starting from scratch. Families faced with a new full round of interviews to cover the same ground as before will feel frustrated and impatient to move ahead. Whether the prior experience was good or bad, the new consultant should outline any efficiencies that can capitalize on what has already been done. Ask how the new consultant can benefit from what has gone before while still bringing a fresh (and potentially better) approach to the issues. Also, discuss how information will be shared between the consultants as well as any overlap that may occur for a smooth handoff. Don't worry about the views of a prior consultant tainting the work of an incoming consultant; capable professionals will form their own opinions based on the evidence and their skills.
- **As soon as possible after each interview, document the family's impressions, opinions, and any follow-up questions in detail so important facts or issues are not forgotten.** Resist the temptation to focus largely on chemistry and likability, although those are important. Discuss the best fit for the family's job description and needs based on skills, behaviors, knowledge, and experience.



- **The issue of obtaining references from other families is a delicate one.** It is reasonable to ask consultants for two or three relevant references, yet in this arena, privacy is a serious issue. Some consultants will have a short list of prior families willing to be contacted, but many families hesitate to have their names or difficulties revealed to others. Some references will be intermediaries like family office executives or wealth managers. These individuals can discuss the quality of a consultant's work without revealing confidential details about the specific clients involved.

After the first round of interviews, the family should have a sense of either who is the top candidate or a shorter list of the top two or three. If needed, do a second round of interviewing, focused on remaining questions or more detailed discussion. This is also where any further discussion of fees and pricing models should occur.

## Hiring the Consultant(s)

*Contracting:* Once the consultant has been offered and accepted the consultation, some type of written contract or letter of agreement should be created by the consultant. This provides clarity for both parties. At the least, it should spell out the goals or objectives of the consultation, the methods to be used, fees and billing procedures, the nature of the relationship as independent contractor, the terms of the agreement, confidentiality and nondisclosure provisions, dispute resolution, and some boilerplate legal provisions.

Importantly, who signs the contract from the family side? This has implications legally for whom the client is, including who can fire the consultant if unhappy or disgruntled. Even if the consultation is going well for most of the family, a leader whose position is not being favored may choose to fire a consultant rather than lose power. Sometimes, having a family office do the hiring protects against disfavored parties wanting to get rid of a potentially successful consultant.

*Initiating the Consultation:* Most consultants will propose at least a two-step process when beginning

the consultation. There will first be a period of discovery and assessment to explore the family, its issues, and the patterns relevant to the consultation. Many consultants will want to interview all or most of the relevant family members and stakeholders involved in the process. There may be other formal assessments, review of documents, and discussion with family advisors. This discovery phase will then produce an oral and/or written report and a meeting with the family or its leaders, describing the conclusions of the consultant about what problems and strengths exist and the proposed plan for the consultation.

Some consultants will hesitate to commit to a definitive plan until this assessment has been completed. Then a clearer plan and perhaps a final fee schedule will be proposed, based on the assessment phase. Once this discovery phase is completed and the consultant's verbal or written report is accepted by the family, the consultation will proceed in earnest.

Remember that the first six-to-twelve months of a consultation relationship are important to its success. Provide feedback when things are going well or if problems occur. Both parties are getting to know each other, and some glitches are not unusual. Be willing to discuss any concerns as soon as possible – don't let things fester. There may simply be misunderstandings that can be resolved. Also provide praise and positive feedback if things are going well. Frequent clear communication is necessary throughout the consultation.

## Summary

Hiring a family wealth consultant and/or family business consultant is an important, stressful, and expensive process that requires a good decision-making process, needs assessment, job description, interviewing process, and follow-through to be successful. With good intent and a well-defined collaborative process, a family can get the help it wants and deserves.





# About the Author



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Dr. Jim Grubman is an internationally recognized consultant to families of wealth, family enterprises, and the wealth advisory industry. Dr. Grubman has been recognized with his collaborator, Dr. Dennis Jaffe, with the Outstanding Contribution to Thought Leadership award by the Family Wealth Report.

He is the author of the renowned book, *Strangers in Paradise: How Families Adapt to Wealth Across Generations*, and co-author of *Wealth 3.0: The Future of Family Wealth Advising* (with Dr. Dennis Jaffe and Kristin Keffeler) and *Cross Cultures: How Global Families Navigate Change Across Generations* (with Dr. Dennis Jaffe) as well as multiple other articles, chapters and white papers.

Dr. Grubman is a leader in The UHNW Institute, an industry think tank, and holds Fellow status in the Family Firm Institute and the Purposeful Planning Institute, as well as membership in STEP, an international trusts-and-estates organization. His practice, Family Wealth Consulting, is based in Boston, Massachusetts, USA.



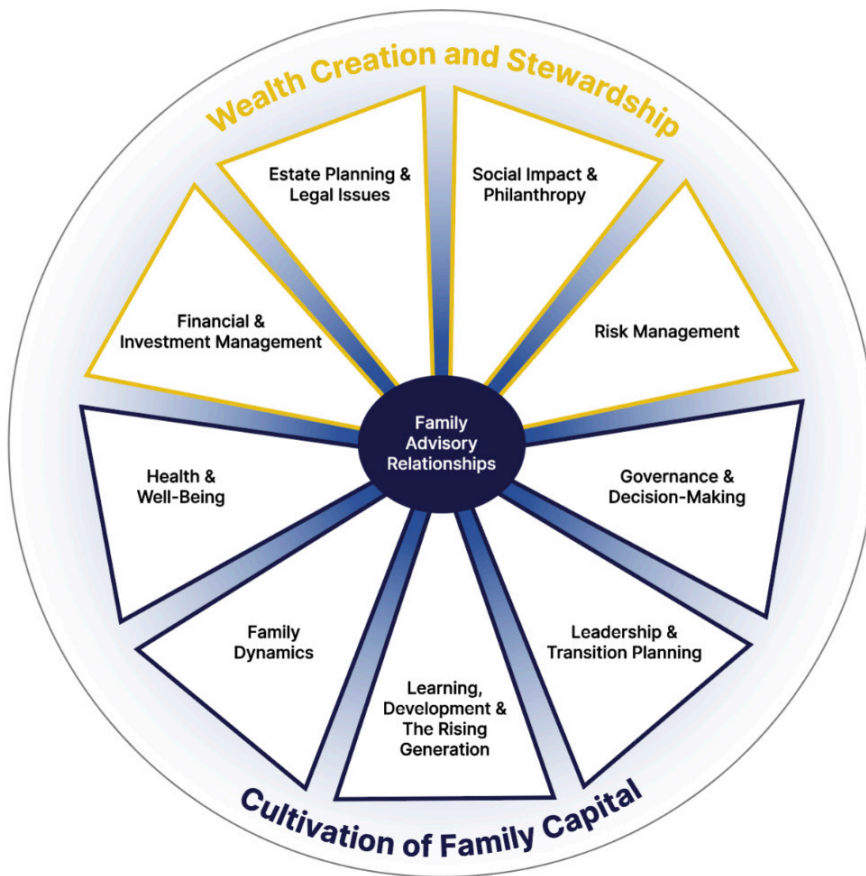
As a nonprofit think tank and learning exchange, The UHNW Institute is elevating the wealth management industry to a new standard so that families and their advisors can foster prosperous and meaningful relationships from one generation to the next.

## Domains of Family Wealth

associated with this White Paper

- Family Advisory Relationships
- Governance and Decision Making
- Family Dynamics
- Leadership and Transition Planning

## The 10 Domains of Family Wealth



## What are the 10 Domains of Family Wealth?

As part of our mission, The UHNW Institute has thoroughly examined the broad range of needs and services that impact the lives of families with wealth. Based on this analysis, we've determined the Ten Domains of Family Wealth—an interdisciplinary model representing the specialized landscape that ultra-high-net-worth families inhabit.

This groundbreaking model includes nine disciplines, each of which requires a high degree of technical acumen, plus a central domain representing the many relationships and skills through which families and their advisors interact.

Click [here](#) to learn more about the domains.

Visit [www.uhnwinstitute.org](http://www.uhnwinstitute.org) to discover more about The Institute.