



A Family Man in Business
An Interview with Rob Lachenauer,
Partner and CEO at Banyan Family Business Advisors
By Diane Coutu

Diane Coutu, our former Director of Client Communications and a former senior editor at Harvard Business Review, talks to Rob Lachenauer about what distinguishes Banyan advisors from other consultants and what makes our family clients unique.

You were a Partner at BCG before you came to Banyan. Why the switch?

I very much enjoyed my consulting days at BCG, and I have a great deal of respect for the firm. I love business; I'm one of those people who thinks about business when I run, when I bike to work, even when I'm doing errands. And I got some terrific business experience at BCG, particularly in strategy, and many of my colleagues and clients, some of whom were very large family-controlled businesses, became close friends.

Yet there were several situations where it became obvious to me that I couldn't be both a great dad and a great consultant at the same time. One Sunday, I was trying to pick up one of my daughters, who was helping out on a farm in the country, and I had four conference calls, one right after the other. And there she was, milking the cow, the only kid without a dad. As a father, I wasn't willing to pay that price, and I decided I really had to leave BCG.

After I left, I co-founded a couple of companies. As founders of family businesses know so well, there is nothing quite like the excitement and challenge and adrenaline rush that comes from creating your own business. I like to run things, and these firms are on the cutting-edge of technology. I'm always excited by the new, and I got right down there in the trenches. I am the co-inventor of five patents, and I'm proud of that. But when the opportunity came up to work for Banyan, it was too good to pass up. My children are older now, and I don't think there's anything more challenging and rewarding than growing a global professional services firm, particularly one that advises family businesses.

Why family businesses?

Family and business are my twin passions; they are two of the most powerful forces in the world. It's impossible to deny the influence of families. Our most profound learning usually comes from the families we grew up with. You certainly don't have to be a psychologist to recognize that your relationships in later life often repeat the relationships that played out in your earliest years. And then there's business. The power of capitalism is enormous. Business creates wealth, and wealth creates jobs. Creating even a single job is a valuable contribution to society.

But it's the combination of family and business that I find so intellectually and emotionally appealing. We talk about the human face of capitalism, and, for me, that's family businesses. When done right, they are the best form of capitalism—capitalism with a heart and soul. Owners of family businesses, for example, typically don't focus on quarterly earnings but rather on creating something for the next generation, and for the generation after that. Their whole framework for doing business is very

different; making money is still the blood of the system, but I admire and respect these founder/owners for what they are trying to create for their families and employees.

Can you tell me a little more about how family businesses are different?

For a start, they break all the rules that they teach you at Harvard Business School! When I go into an organization, for example, I look for structure and if that's missing I start to worry. What's so extraordinary about so many of the family businesses that we advise—\$200 million to multi-billion dollar businesses—is that the organizational structure is very informal, or even lacking. The damn thing shouldn't work, and yet it does, and that fascinates me. There's nothing in academics to prepare you for this kind of situation so you're always in uncharted territory, and I find this kind of business challenge to be extremely rewarding.

Let me give you a true but disguised example. In Scandinavia, we advise three siblings who own and run a clothing business, and they don't have titles. There's no CEO, COO, or CFO. They squabble among themselves, and so they don't even talk often. Yet the business runs extremely well—indeed, it's a \$250 million dollar, highly profitable company. Our challenge as advisors to business-owning families such as these is simple and yet creatively complex: we help them move from this kind of informality in their systems to something more lasting. Together we create a new organization that doesn't sacrifice the benefits of the old one.

If it ain't broken, why fix it?

Because the *status quo* isn't sustainable. What's going to happen to the family discussed above when one of the sisters dies? What will become of that part of the business she is managing, however informally? Management systems have to be put in place to ensure the survival of the business, and that's why we try to take what's good in the family business and bring it to the next level. And in many family businesses, the *status quo* isn't sustainable for a number of other reasons, one being *leader fatigue*.

Many business-owning families don't have formal boards, and the family doesn't even hold meetings. The head of the business and his spouse go out to dinner one night with one of the brothers, and they discuss every business decision that the leader has made. The next night the leader goes out to dinner with the other brother and answers the very same questions. It's an inefficient way of running a business, and inevitably it grinds the leader down. What's more, if anything goes wrong with the business, it's a personal failure on the part of the founder/owner rather than a failure of the processes, as it would be in a business where formal policies and processes have been put in place. Everything escalates to the personal very quickly in a family business, and while that's got its advantages in that everything is up close and intimate, it clearly also has its disadvantages.

Does it take a special sensibility to work in professional services firm that focuses on families in business?

I think so. We look for gutsy people who are smart and have high emotional intelligence. I was talking about this to a friend recently, and he said, "Oh, you want *Wizard of Oz* advisors"—in other words, people who have brains, or heart, or courage. And I said no, we're looking to hire people who have *all* these qualities. Also, our advisors are folks who have already been to the Emerald City and know there is

no Wizard of Oz. The people who work here need a lot of self-awareness. Of course, it's not easy to find people with all these qualities; such people are rare in life—and even rarer in professional services firms.

It was different when I worked for BCG. There we recruited largely for brains. It was the hard, competitive, strategy analysts who were brought on board and honored. I didn't need my emotions much at BCG—they hardly mattered. In fact, I tried hard to scrub them out so that I could clearly and precisely analyze the business problem. At Banyan, we still recruit for people who have good analytic brains, but strategic, financial, or legal skills are not enough for us.

What else does it take to work well with business families?

Families need advisors who have big hearts, but I'm not talking here about the kind of sentimentalism that you find on Hallmark cards. I'm the same guy now that I was at BCG when I co-authored *Hardball* with George Stalk. I still believe that companies have to do everything within the realm of what's legally possible to trounce competitors in the market place. The family businesses we advise are certainly not exempt from having to wrestle rivals to the ground; they, too, need to crush the competition and play almost insanely hard to win.

But working with families requires a wholly different mindset from working with publically traded companies. The thing that always strikes me is that the empathy needed is not the same. A traditional consultant says to a manager, "I get it, your organization is not following you." When I step into a family client situation, I'm more likely to hear that "Johnnie is furious at the boss" — but the boss also happens to be Johnnie's dad or his uncle or his sister. This is a very difficult situation for the leader who, on top of the usual business worries, is having all these family emotions thrown at him. As an advisor, you need a special kind of compassion to deal with this complicated and delicate situation.

Why do advisors at this firm need courage?

That's because you have to understand your own emotions before you can deal with the emotions that come up in families, and this takes courage. Not all emotions are noble. Besides gratitude and affection, there's also insecurity, grandiosity, resentment, envy—the whole palette of colors that make up the human psyche. Without acquiring some knowledge of the full range of emotions, it would be impossible for us to relate deeply to our clients. That's where guts really come in. It's not that we want our advisors to be arrogant; on the contrary, it takes great humility to enter a family business system and to become an intimate and trusted advisor. These families share their private lives with us, and that's a tremendous privilege. But our family clients expect—and have a right to expect—the kind of self-assurance in advisors that comes from profoundly understanding what makes human beings tick.

Who are these family clients you work for?

Bold billionaires who aren't used to having anyone say "no" to them, who are treated as kings. And for good reason. We work everyday with self-made billionaires, and when you've created a billion dollar company you don't suffer fools lightly. We have enormous respect for these founders and their families and what they've accomplished together, but at the same time we're not intimidated by them. They're not King James or the Queen Mum to us, they're Sam and Paul and Mary, and that makes all the difference. They're undoubtedly the first among equals, but we approach each other as peers. I've never seen this in any other professional services firm.

When I think about our relationships with our family clients, I'm reminded of a wonderful scene in the film *The King's Speech*. The Duke of York, who is about to become King, has a stutter and he turns for help to an Australian speech coach. The two men spend their first meeting arguing about what to call the Duke of York. The Duke wants to be addressed by his full name: Albert Frederick Arthur George. The coach insists on calling him "Bertie," the Duke's nickname in his family. The coach wins. Fortunately. He understands that the two men have to be on equal footing to achieve the intimacy needed for the speech therapy to work. I don't want to spoil the film for those who haven't seen it, but it won't be giving too much away to say that in the end the Duke finds his voice. In the process he becomes one of the most beloved Kings in English history, much admired for addressing the country in radio broadcasts during World War II.

I think that a lot of our work at Banyan is similar to being the Duke of York's speech coach; we try to help family members who are already great become even greater. The families we work with have already accomplished a huge amount before they come to us; the fact that they are seeking advisors means that they want to do even more. We try to help them find their voices so that they can be the best that they have it in them to be.

Can you explain what "finding their voices" means in the context of your work?

Many members in a family business system don't even know that they have a voice. They have never been taught their rights, and are generally unaware of their choices. When we go into the family business system, therefore, a large part of our work is to help family members ferret out essential information about their identities. But finding the words to speak your deepest concerns and express your interests is a profoundly interpersonal experience. You can't find your voice in isolation.

This is where we come in as advisors. We often ask a lot of simple questions, and then we do a lot of active listening to the voices that emerge. What parts of people's roles in the family are meaningful to them, and what parts are not? If it is money that motivates them, what kind of money? And if their future is wrapped up in their children, which children, and why? It is our responsibility to help family members speak their deepest hopes and ambitions and disillusionments, and we take this responsibility very seriously.

I should be clear, though, that in saying that individuals in families often haven't found their voices, I do not mean that the family is living in silence. Quite the contrary. Every family has what I like to call their "thick" emotions—that loud undercurrent of unexpressed anger, sentimentality, loyalty, disappointment, rivalry, love, and so on—that runs like molten lava just below the surface of things, always ready to spew forth. In most families these thick emotions emerge only at holidays, weddings, and funerals. In family businesses they're always there. We're always listening for them, helping these feelings to surface, because we know that these emotional issues are what ultimately affect the bottom line. Our experience tells us that if we can help family members voice their emotions rather than act them out, then we can start to help family members make quite a bit of progress in the business.

You're a hardnosed businessman who likes to play hardball. What's it like for you to help families work through these thick emotions?

Honestly, it's like reading a great novel. I was an English major in college, and in so many ways that was the best preparation for working with business families. Literature, like classical music, which I also love, teaches you that emotions are extraordinarily nuanced and complex, and thank God for it. This doesn't

mean that I go into an advisory situation necessarily expecting to encounter the kinds of families that show up on the pages of Tolstoy or Philip Roth. Personally, I'm a great fan of Mark Twain; I think Hemingway was right in singling out *The Adventures of Huckleberry Finn* as the great American novel. Huck floats down the Mississippi river, and he is confronted by a profoundly moral question: is his fellow traveler on the raft—a slave named Jim—a human being, or not? As he weighs the pros and cons, Huck grows and changes, and we grow and change with him. "All right, then, I'll go to hell," Huck despairs, as he decides to help Jim escape—a humane, but criminal, act.

Though they are very rarely faced with having to break the law in order to achieve a greater good, the families we work with are, like Huck Finn, often faced with poignant, sometimes heart wrenching, choices—the kinds of choices that never come up in publically traded companies. Should parents treat all their children the same, and divide the company equally among them, even if this means running the business to the ground? (What is fair?) What about the non-family employees whose livelihood depends on the financial success of the business? (What is just?) Should your second wife's adopted son inherit a part of the business? (What is moral? legal?) And if you decide to fire your daughter, who is working in the family business, will your wife ever forgive you? (What is trust?) These are the kinds of questions that come up everyday for families in business. This is also the stuff that great literature is made of.

You talked earlier about growing the firm. As CEO, what is your vision for Banyan?

Vision is too grand a word—to me vision is a picture of where you will find yourself five to ten years down the line. I don't know where we'll be in five or ten years' time, but our goal right now is to advise family business leaders so that they better understand where they are, where they want to go, and how to build the bridge that is going to get them there.

But if I may go back to Huck Finn for a moment, perhaps I can give you a clearer idea of how I see our situation. We now find ourselves in the mighty Mississippi. We are in the middle of a big river; it's moving fast, and the currents are strong. There are two tributaries coming together—a family and a business one—but exactly which way the river will take us nobody knows, and that's part of the adventure. We are on the lookout for what our clients want and need, and often they are in the process of discovering it for themselves. We are paddling down the river, working as a team to solve some very intricate problems. It's an experience that brings families—and us—close together as we glide through the water.

We are not, however, traveling blind. We know that more than 35% of Fortune 500 companies are family-controlled, and that many of these families need help in setting up structures for family governance, guidelines for creating shareholder agreements and philanthropic foundations, more clarity on their financial options, and they need an enormous amount of help in shaping strategies for their family-run companies. We're the only firm in the world that has expertise in all these areas. We've been called in by business-owning families to do deep business strategy work for them. Nobody else can even attempt it. As my wife tells me, "This is important work for your clients and their employees."

What have you found to be the most rewarding in your work as a family advisor?

One of the best things about working here at Banyan is that we advise owners. In publically traded companies, you've got the board, but they're not exactly owners—they represent the owners. But in this job, we sit around the table with, say, the five owners of a multi-billion dollar company—or the one

owner—and that one person is going to make the final decision. We have the extraordinary honor of advising the owners on those decisions.

The emotional breakthroughs we achieve with family members can have a dramatic impact on the business, and that is also very rewarding. In one case, for example, we worked with a brother and sister to help them show some appreciation for each other. In the process, the brother broke down and cried. To watch these two family members (who had been quarreling for some time) take down their shields, knowing that this would start a transformative effect throughout the organization, was an amazing experience. If the people at the top don't work well together, then every one else in the company becomes like tribes under the siblings, the cousins, whomever. But when the owners are in sync, then the business and the relationships of everyone in the business will reflect that. In this business, the transformation was the direct result of that process.

Tell me a little bit more about Banyan. You say you have expertise that no other firm in the world has.

We do because we have consciously developed that expertise. The very nature of family and business and ownership has become so complex that no single person has the knowledge or wisdom to handle the intricacies of the large family business system on his or her own. You need a multidisciplinary team with a complementary set of skills: organizational behavior, strategy, finance, psychology, law, communications, family systems, and more. What is unique about our firm is that we bring to the table advisors such as George Stalk—one of the best, if not *the* best strategist in the world—and Marion McCollom Hampton, who is undeniably one of the top five authorities in the profession on how family businesses operate. And they work together as a team for our family clients. Or I, a business guy, have gone in with a psychoanalyst and day trader to advise the family client who has never seen this combination before. Never. When this happens, the business-owning family gets something it never expected: results that no single person, even a world-class expert, could ever produce. Because nowadays, to be an effective advisor, you need an integrated model—you have to look at problems from multiple perspectives simultaneously—and that's what Banyan does. In the process we are able to help our business-owning families articulate one united vision for themselves.

Does a firm that specializes in family businesses have more respect for the work/life balance than other professional services firms?

Overall, we're better. Clients will always come first, of course, but what I tell the partners is that they run the firm—and not the other way around. I don't do it enough, but I try to ask individual partners what lifestyle they want. We don't all want the same thing. I was talking to a Partner recently who was in Saudi Arabia one day, Miami the next, then in Santiago, and then straight to Boston. So I asked him if things were going ok. He told me he was having a ball, that he loves his clients, and that he's at a point in his life where family responsibilities have lightened up, and he wants to travel. Depending on his or her position in the life cycle, that very same lifestyle would be difficult for another partner. So we try to be flexible to the extent that we are able. Still, there's no question that ours is a high-travel business; we're on planes too much. But we're trying to set up a cluster model, where we do intensive client work in the same area over a couple of weeks, and then we're back at our home base in Boston for two weeks, able to attend the cello concert as planned. For most people that's a very manageable thing in this firm.

Is there anything I haven't asked you about that you would like to share?

Well, not too long ago, I interviewed a woman for a position here at the firm. To see whether there is a fit between candidates and us, I usually ask them to tell me something personal about themselves. This woman quoted a line from a poem by Yeats: "The intellect of man is forced to choose/Perfection of the life, or of the work..." She said she thought that Yeats had misunderstood the challenge because perfection of the life takes such a lot of work, and work, if it is to be meaningful, must flow from one's life passions. When she left my office—and we did hire her—I thought to myself that there is one more wrinkle to Yeats's theory, which is that the choice is really too important to be left to the intellect alone. The heart has its own logic, which must be factored into the equation. But this is the perspective of a 50-year-old. I've gotten to the point in my life when I no longer think that it's either the head or the heart, strategic or emotional intelligence, business or family. These are false dichotomies. Our challenge both as business people and as individuals is to fit these things together. Integration is what we most look for in advisors; integration is our business model, and it's our aspiration. Indeed, if I could sum up the firm in a single word, I would say *integration*. That's what Banyan is really all about.