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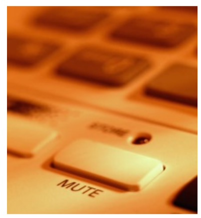

The darkest places in hell are reserved for those who maintain their neutrality in times of moral crisis.

Dante Alighieri, *The Divine Comedy*

Dan Brown's latest book *Inferno*,which includes many references to Dante's epic poem and neutrality, would seem an odd place for advisors to find guidance regarding their work with family businesses and entrepreneurs.

Yet, one of the novel's main protagonists, the Director of the Consortium, provides a lesson in the perils and the flaws of how certain advisors work with their clients.

The Director of the Consortium, who is sought out for his services, is guided by the following principles:

- *Provide the service.*
- *Trust the clients.*
- *Ask no questions.*

The Director thus practices *neutrality*. How does this relate to advisors working with privately held businesses? Following the principle of neutrality can lead to the dysfunction, crisis and moral disintegration of family and business clients. Consider the following scenarios presented to advisors.

1. Two business partners who formed a business asked their advisors to draft a partnership agreement with 50/50 ownership, little to no governance for dispute and no clear exit path for either partner.

2. A Founder went to his advisors and instructed them as follows. Pass the ownership to my three sons and daughter in equal percentages. Do not provide an easy exit should one want to leave the business or prove disruptive. Further, create equal compensation plans and equal roles for each.

3. An entrepreneur formed a board of directors made up of friends who shared similar business experiences. Over the years they had all become close friends and lost objectivity. Thus, they were unable to ask the tough questions and provide impartial advice out of fear of harming long held friendships.

How did the advisors respond to the scenarios above? In each case, the advisors' responses were similar.

- *The advisors provided the service.*
- *The advisors trusted the clients' wishes.*
- *The advisors did not ask the right questions.*
- *Therefore, the advisors remained neutral.*

Not surprisingly, in each example above, the advisors' *neutrality* was detrimental to their clients' well-being.

In the first example, the partnership fell apart and ended up in litigation due to the lack of a clear governance structure. The business failed, the partners never talked again and neither realized a financial exit from the business.

In the second example, the family fought for years over control, roles, and the relationship between contribution and financial reward within the company. Ultimately, the business had to be sold and at a diluted value.

In the third example, the board acted as a series of "yes men." When the entrepreneur entered into a series of acquisitions which the board members disapproved of in private, they remained silent and failed to push back. The acquisitions and subsequent failed integration dramatically diluted the value of the business and the owner's exit timeline.

In each case the advisor team provided the service, trusted the client, asked the wrong questions and remained neutral. In other words - they honored the client's requests despite knowing that doing so could be harmful to the client. Why would advisors act this way? Remaining neutral allows advisors to avoid dispute, risk of termination and is quite often the easiest path to take.

Dante's foreboding vision of hell provides guidance to advisors. We should ensure that we do not remain neutral, that we do not avoid the tough questions and that we do not simply follow orders. As advisors we should be objective and direct. Most of all, we must not remain neutral - we should have a passionate interest in the best outcomes for our clients and deliver advice even when we know that it may be difficult for the owner to accept.