



Institute for
Family Business
with UCG

Family Business Challenges

Employing Advisers



The *Family Business Challenges* series

This guide is part of the *Family Business Challenges* series commissioned by the IFB Research Foundation. The series offers practical guidance for family business owners seeking to manage the unique challenges and opportunities they encounter.

The series provides concise information on a broad range of topics – covering family business dynamics, governance, performance, succession and family business wealth.

Each guide, which is illustrated by a real-world case study, is divided into three sections:

1. **Defining the challenge** – clarifying the issues and summarising expert thinking.
2. **Actions to consider** – ideas and strategies to help family business people meet the challenge.
3. **Resources** – annotated further reading.

The publisher

About the IFB Research Foundation with UCG

The IFB Research Foundation with UCG is a charity (no. 1134086) established to foster greater knowledge and understanding of family firms and their contribution to the economy and society, as well as the key challenges and opportunities that they face.

The Foundation's vision is to be the UK's centre of excellence for family business research, and to this end its publications are designed to create a better understanding of family business for the benefit of all stakeholders. Alongside *Family Business Challenges*, its work covers a broad range of publications, including:

- *Family Business Sector Report* – benchmarking the size and importance of the sector.

- *Family Business Research and White Papers* – thought leadership on key family business characteristics and issues.
- *Family Business Case Studies* – showcasing family business exemplars.

The Foundation disseminates knowledge and best practice guidance through printed publications, online media accessible via the IFB website and other activities, including the IFB Research Foundation Annual Lecture.

About the IFB

The Foundation works closely with its sister organisation, the Institute for Family Business, which is a membership association representing the UK's family business sector. The IFB is a member of FBN International, the global network for family businesses.

www.ifb.org.uk

Employing Advisers

1 Defining the challenge

Family businesses can outgrow their traditional advisers. Families are loyal and want to retain the professional advisers (lawyers, accountants and bankers) who supported them in the early years. But, as the business grows, these relationships must be reviewed for competence and impartiality.

Becoming less introverted. Successful business people are generally self-reliant and good problem-solvers, and family firms often prefer to depend on internal experience and judgements. Becoming more open to outside influences, including talented advisers and consultants, marks an important step, making family businesses more sustainable.

Mature family businesses require special skills and holistic advice. Advising family business owners is qualitatively different from advising companies or individuals. Many legal and financial professionals lack the “soft” interpersonal and communication skills necessary to help family businesses manage complex, multi-generational family dynamics. Especially on governance and succession planning, owners have difficulty finding advisers with the right mix of technical, empathic, process-management and psychology skills. (“Process consulting” is particularly suited to the complexities of family business – see Exhibit 1.)

Advisers can provide specialist guidance on:

- **Family business psychology** (discussed in the “Understanding Family Business” challenge in this series), helping family members to identify, predict and manage tensions between family and business behaviour.
- **Family strategic planning**, establishing clear ground rules governing the family’s relationship with the business.

Exhibit 1: Process consulting

In family businesses, where family members often wrestle with the task of how to balance a multiplicity of demands, roles and expectations, the “process consulting” model has a lot to offer both clients and advisers. It rests on the idea that the consultant helps the client to understand and resolve their problems. From an adviser’s perspective it is built around some key principles:

1. Always try to be helpful
2. Ask questions instead of offering advice
3. Don’t make value judgements or deal with content issues
4. All acts are interventions
5. The client owns the problem and the solution
6. Go with the flow
7. Group dynamics provide clues to interpersonal relationships
8. Timing is crucial
9. Be constructively opportunistic with confrontational interventions
10. When in doubt, share the problem

Source: Edgar H. Schein (1999) *Process Consultation Revisited: Building the Helping Relationship*, Prentice Hall Organizational Development Series.

- **Leadership development** and executive coaching for family members.
- **Specialist mediation**, managing rivalry and conflicts that can arise in sensitive areas like evaluating family members, fair remuneration principles, share ownership and family wealth allocation.
- **Succession planning**: transferring ownership, leadership and management is a difficult hurdle for most family businesses, requiring holistic rather than product-specific advice.

Prepare for the predictable. Family business owners most commonly need advice as the senior generation approaches retirement or if there's a family crisis, by which time securing family engagement can be challenging. Families who plan in advance and adopt an advisory process (entering dialogue with potential advisers and networking with other families who have been through the same thing) are better able to manage complexity in their business and their relationships.

Choose the right advisers, and use them in the right way. Selection should be based on competence. Before engagement, check their professional credentials and talk to other businesses who have used their services. Consider a period of interaction before starting a relationship. Search out advisers who understand family business dynamics, who can demonstrate broader "soft" skills beyond technical competence and who are prepared to overcome barriers to working more collaboratively with the firm's other advisers. (See Exhibits 2 and 3 for more on the special qualities needed from family business consultants and interdisciplinary teamwork.)

Exhibit 2: Family business consultants – special competencies and skills

"Perhaps the three most important skills are communication, ability to build trust and facilitation. Discussing family strengths and weaknesses is sensitive and potentially distressing, and it is vital to have communication skills that enable the consultant to pick up on the undercurrents of what is being said – to be a developed listener. Ability to build trust leads on from this. The consultant must build trust with the family quickly – the family must come to understand at an early stage that the consultant is acting on behalf of the business and the family as a whole, not for one particular individual or group at the expense of others.

The third important skill is facilitation. Family business consultants must be able to probe the difficult issues and develop discussion of a family's problem areas in a subtle and sensitive way that minimises the possibility of friction and confrontation. Serious listening underlies the skills of the best family business facilitators – listening to what is being said and (often more importantly) what is not being said, and developing the ability to pick up the signals of what is truly being communicated."

Source: Peter Leach (2011) *Family Businesses: The Essentials*, published by Profile Books, pp.105–106.

Exhibit 3: Interdisciplinary teamwork

"Family leaders need to find ways to make use of new specialists without jeopardizing the security and ease that come from working with the loyal close advisory group... Family businesses are unbelievably complex enterprises; their success represents a remarkable accomplishment by their members. The nature of good-quality service to these systems is inherently interdisciplinary. It is important for professionals not to be trapped in the law of the hammer: 'When your only tool is a hammer, every problem looks like a nail.' Clients deserve a network of available advisers who have pooled their experiences and learned from them, building theories that allow each of them to make educated guesses that go beyond their personal experience. In that way the instruments in our toolboxes can become as varied and complex as the family firms we serve."

Source: Kelin Gersick, John Davis, Marian McCollom Hampton and Ivan Lansberg (1997) *Generation to Generation: Life Cycles of the Family Business*, published by Harvard Business School Press, p.272.

Beware conflicts of interest. The performance of advisers should be reviewed regularly, and possible conflicts of interest need to be thought about and avoided. For example, are

advisers working more for the senior generation who first employed them rather than for the family business in the broadest sense?

2 Actions to consider

- Are our advisers keeping pace with our needs? Do they reflect more where we've been rather than where we need to go?
- Do our advisers provide the right combination of technical expertise and a thorough understanding of the special needs of family businesses?
- What steps could we take to plan in advance our need for advisers?
- In choosing an adviser, what qualifications and qualities must they have, and what are our goals for the working relationship?
- How can we encourage and facilitate collaboration between different advisers?
- Close personal relationships with our advisers is vital, but are we staying alert to ensure they're not exposed to conflicts of interest?

Case study: William Grant & Sons Limited

Scotch whisky distiller William Grant & Sons employed family business advisers right from the start of their family governance project in the late 1990s, but then decided to dispense with their services three years later.



Bill Gordon, Family Council member

The family's first step was to establish a Family Council in 1998, which then went on to draw up the Family Constitution and create a Family Assembly. "We

employed advisers from day one" explains fifth generation Family Council member Bill Gordon, "because we knew we lacked the relevant knowledge and experience at that time, but we were determined to build a well-researched and professionally managed governance process that would have the best chance of securing family engagement."

"Input from our advisers was crucial at that time" says Bill, "especially on project planning and facilitating meetings. But after three years we'd learned a lot and felt confident enough to 'go solo' and take on managing the process ourselves." The family still uses family business advisers, but the emphasis has now shifted to employing them on a project by project basis if a particular task warrants it.

So the Council has recently recruited a family business adviser to help design, structure and implement their next-generation education and development programme.

Candidates for this post were longlisted based on family members' knowledge of consultants active in the field, advice from other family companies, and via the IFB and FBN. The top three were then shortlisted, interviewed, and asked to supply project proposals, after which the Council selected the adviser it felt would provide the best fit with family objectives. "You need special talents for this work" explains Bill, "and it's no good having people who are simply technically proficient – they must also have a good track record and be able to demonstrate high-level interpersonal and communication skills."

Asked to sum up some other key lessons learned employing advisers, Bill Gordon recommends being very specific on four issues – the project brief, the skillset you expect from advisers, budgeting and time scheduling.

Some family businesses take a different approach to William Grant & Sons, retaining a more or less permanent adviser group to consult with and draw on as needed. Bill accepts this can work for some companies but he worries about family business advisers

Continued overleaf

Case study: William Grant & Sons Limited - continued

becoming a cultural fixture – an arrangement that’s a bit too “comfortable” and prone to possible conflicts of interest. “I think your advisers have to be regularly pushed and tested”, he says, “and we’ve also benefited from a recognition that sometimes it’s better

to have periods with no advisers – a bit of free space and calm water to reflect on your progress and to assess whether you’ve learned enough to manage governance on your own.”



WILLIAM GRANT & SONS
INDEPENDENT FAMILY DISTILLERS SINCE 1887

3 Resources

Articles and reports

Engaging Advisers: Family Business Research

The Society of Trust and Estate Practitioners (STEP) and the IFB Research Foundation (available at: www.step.org).

The findings highlight where family business owners feel they’re not being served well by their advisers, aiming to provide a resource in developing future best practice.

Choosing the Right Adviser for Your Family Business

A briefing paper by the Family Firm Institute, Inc. (available at: www.ffi.org).

Including questions to ask a family business adviser you are interviewing to work with your family business.

Books

The Family Council Handbook

Christopher Eckrich and Stephen McClure, published by Palgrave Macmillan (2012).

Includes how to set rules for family council communications with advisers (p.313), “Twenty Questions to ask Family Adviser Candidates” (p.257) and a “Family Adviser Candidate Rating Form” (p.349).

How to Choose and Use Advisors: Getting the Best Professional Family Business Advice

Craig E. Aronoff and John L. Ward, published by Palgrave Macmillan (2010).

This revised version of a 1994 book is showing its age, but it still has valuable sections on choosing advisers and monitoring advisory relationships.

Family Business: The Essentials

Peter Leach, published by Profile Books (2011).

Useful discussion on relationships underpinning an advisory role and the potential for conflicts of interest (pp.107–108).

Family Business Challenges

The *Family Business Challenges* series of guides offer practical guidance for family business owners. Each guide identifies issues commonly faced in a particular topic area, suggesting strategies for managing the tensions and competing demands that arise. Titles include:

Family business dynamics

- Understanding Family Business
- Maintaining Family Values
- Developing Stewardship
- Promoting Sustainability

Family governance

- Managing Differences
- Building Family Governance
- Strengthening Family Communication
- Fostering Responsible Ownership
- Managing Communication:
Owners and the Board

Family business performance

- Fostering Entrepreneurship
- Professionalising the Board
- Maximising People Capital
- Employing Advisers

Family business succession

- Engaging the Next Generation
- Planning Succession

Family business wealth

- Selling the Family Business

Growing successful enterprises
for generations to come

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