



**IFB** Research  
Foundation

FAMILY BUSINESS CHALLENGES

**No. 12**

# **EMPLOYING ADVISERS**

Practical guidance for family business owners and managers

SECOND EDITION

### Section 1. INTRODUCTION

**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 impartiality and against current needs.

**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. Family business people sometimes shun advisers on the premise that their challenges are “unique” or they regard the issues as sensitive and not the purview of outsiders. Becoming more open to external influences, including talented advisers and consultants, marks an important step in making family businesses more sustainable.

**Family businesses look for special skills and holistic advice from advisers.** Advising family business owners is different from advising companies or individuals. Legal, accounting, wealth management and property professionals are not always equipped with the “soft” interpersonal and communication skills necessary to help family businesses manage complex, multi-generational family dynamics, particularly in relation to governance and succession planning. There is a limited pool of advisers with the right mix of technical, empathic, process-management and psychology skills suitable for family businesses. (“Process consulting” is particularly suited to the complexities of family business – see Exhibit 1.)

#### 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.*

**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.

Advisers can provide specialist guidance on:

- **Family business psychology** (discussed in the “Understanding Family Business” Challenge in

this series), helping family members to identify, foresee and manage tensions between family and business behaviour.

- **Family strategic planning**, establishing clear ground rules governing the family's relationship with the business; anticipating needs as well as dealing with issues currently on the table.
- **Leadership development** and executive coaching for family members.
- **Mediation**, managing rivalry and conflicts that can arise in sensitive areas like appraising 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.

**Choosing the right advisers.** Selection should be based on competence. Before engagement, check their professional credentials and talk to other businesses who have used their services. Use resources such as the Family Firm Institute to find accredited family business advisers. Draft a request for proposal that is agreed by the family, preferably with a shortlist of advisers to be considered for the brief. 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 (see Exhibit 2).

### **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 (2015) Family Enterprises: The Essentials, Profile Books, p.103.*

### **Seek out specialists who are prepared to work collaboratively with the firm's other advisers.**

Due to inherent differences between disciplines, including different consulting approaches and practices, family business advisers tend to work independently of one another. This may lead to family business clients receiving different, hard-to-interpret or even conflicting advice from advisers. Research studies have highlighted the benefits of advisers collaborating and sharing knowledge across their different disciplines (see Exhibits 3 and 4).

### **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."

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

## Exhibit 4: How knowledge sharing among external advisers enhances service outcomes

Advisers sharing knowledge improves the quality of advising services via four mechanisms:

1. By improving the accuracy of issue identification – facilitating discovery and clarification of issues (especially multidimensional issues) facing the family business.
2. By achieving a systematic analysis of the issue – helping to overcome problems caused by different advisers having different interpretations of the same issue.
3. By arriving at an integrated total solution – assimilating different discipline approaches and adviser opinions means that the scope for family firms receiving conflicting advice is reduced or eliminated.
4. By increasing the credibility of the provided solution – improving the quality of outcomes and the likelihood of family businesses implementing solutions successfully.

Source: Adapted from Emma Su and Junsheng Dou (2013) "How Does Knowledge Sharing Among Advisers from Different Disciplines Affect the Quality of the Services Provided to the Family Business Client?" *Family Business Review*, 26(3), pp.256–270.

**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?

## Section 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 and knowledge sharing between different advisers?
- Are we staying alert to ensuring that our advisers are maintaining impartiality and are not exposed to conflicts of interest?

Add Your Questions

## CASE STUDY: William Grant & Sons Limited



Family members at distillers William Grant & Sons began work in earnest on family governance in the mid-1990s. Inspired with ideas gathered while attending the Leading the Family Business programme at IMD Business School in Lausanne, they embarked on their long-term “Learn–Implement–Improve” approach to family governance.

Employing a family business adviser was high on the agenda from the start, but the family moved cautiously in these early stages. Around a year was spent carefully laying the foundations for family commitment and buy-in, and only then did they move on to identifying and approaching consultants – identifying someone equipped to guide the group’s transition from an owner-managed to an owner-governed family business.

“We took great care with this appointment,” 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 reinforcing family engagement.” With the appointment confirmed, the 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.

“Adviser input 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 put our consultant on hold, giving us the space to implement our learning first hand.” 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. For example, the Family Council recruited a family business consultant to help design, structure and implement the group’s 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.”

Summing up the 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 becoming a cultural fixture: “We like to take breaks from working closely with our chosen consultants. During these periods we stay vigilant for signs that we need external support, but we also feel we should experience first-hand the challenges of implementing our learning and putting theory into practice. This way we truly develop our own abilities without the crutch of a full-time adviser.”



*Bill Gordon, Family Council member*

## Section 3. RESOURCES

### Articles and reports

#### Engaging Advisers: Family Business Research

A research report (2013) commissioned by the Society of Trust and Estate Practitioners (STEP) and the IFB Research Foundation (available at: [www.step.org/engaging-advisors-family-business-research](http://www.step.org/engaging-advisors-family-business-research)).

The research was designed to discover where family business owners feel they're not being served well by their advisers, aiming to provide a resource in developing future best practice. The findings raise awareness of the need for stronger interpersonal communication skills among advisers, broadening of skills beyond technical competences, adopting business practices from other professions, and overcoming barriers to working more collaboratively.

#### Choosing a Family Business Consultant

A briefing paper (2016) by the Family Firm Institute, Inc. (available at: [www.ffi.org/?page=chooseconsultant](http://www.ffi.org/?page=chooseconsultant)).

The risks and rewards of choosing a consultant are great for families in business. Significant relationships and assets are at stake with much to lose and much to gain. The article includes a list of questions to ask prospective consultants, helping family firms ensure they recruit advisers equipped to deal with the complexities they face.

#### Family Businesses: Seekers of Advice

Alan Reddrop and Gido Mapunds (2015), *Journal of Family Business Management*, 5(1), pp.90–115.

An academic article and introduction to a study designed to increase understanding of the extent to which family firms resort to external advice on family business issues, and the factors that drive or deter their willingness to seek such advice. The paper highlights our incomplete understanding of the nature of trust in the context of advice-taking, and includes insights and judgements from family business interviewees concerning adviser virtues and shortcomings, the value families place on advice, and factors affecting whether or not they implement it.

#### Dealing with Conflict in the Family Firm

Penny Webb (2015), *Advice and Insight*, Institute for Family Business (available at: [www.ifb.org.uk/knowledge-hub/advice/dealing-with-conflict-in-the-family-firm](http://www.ifb.org.uk/knowledge-hub/advice/dealing-with-conflict-in-the-family-firm))

An examination of the suppression of tension and conflict in some family firms, where family members may be fearful of “rocking the boat”. For serious cases of conflict, employing specialist mediation and facilitation advisers is usually vital – skilled, empathic individuals able to lead and guide family members as they make “the quantum leap from sullen resentment and suppressed anger, to open and articulate argument”. The author explains the approach, techniques and steps used by facilitators, as they encourage family firms to see conflict as a “tool” for enriching their ideas, plans and relationships.

### Books

#### The Family Council Handbook

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

Although mainly focused on providing a “user manual” for establishing and operating a family council, or improving an existing one, this book also has guidance on evaluating, choosing and employing advisers and consultants. Particularly recommended are the sections on 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 Advisers: Getting the Best Professional Family Business Advice

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

With chapters on choosing advisers, advisory service benchmarks and monitoring advisory relationships, the authors provide a broad-based guide showing how family business owners can benefit from professional advice on organisational development, legal and financial guidance, and executive search.

## Family Enterprises: The Essentials

Peter Leach, published by Profile Books (2015).

Chapter 5 of this textbook is entitled “Getting Help: Making the Most of Outside Resources”. The author explains how family enterprise advisers and consultants are able to probe difficult issues and develop discussion of problem topics for families in a subtle and sensitive way that minimises the possibility of friction and confrontation. The chapter also offers advice on relationships underpinning an advisory role and the potential for conflicts of interest.

## Family Business Challenges

The Family Business Challenges second edition series includes 18 guides overing three areas:

### Family business dynamics

- No.1 Understanding Family Business
- No.2 Maintaining Family Values
- No.3 Developing Stewardship
- No.4 Engaging the Next Generation
- No.5 Planning Succession

### Family business governance

- No.6 Building Family Governance
- No.7 Managing Differences
- No.8 Fostering Responsible Ownership
- No.9 Strengthening Family Communication
- No.10 Professionalising the Board
- No.11 Enhancing Communication with the Board
- No.12 Employing Advisers

### Family business management

- No.13 Fostering Entrepreneurship
- No.14 Embedding Long-term Orientation
- No.15 Promoting Sustainability
- No.16 Maximising People Capital
- No.17 Branding the Family Business
- No.18 Selling the Family Business

## Acknowledgements

**Grant Gordon, Editor in Chief.** Grant is a trustee of the IFB Research Foundation and co-founder of the Institute for Family Business. He is co-author of *Family Wars* (Kogan Page, 2008), focusing on managing conflict in family firms.

**Simon Perry, Author.** Simon is a law graduate and trained as a barrister. He moved into publishing in the early 1990s. His work focuses on family businesses, writing academic and practitioner analyses and family enterprise histories.

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### **FAMILY BUSINESS CHALLENGES**

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