



STEP-IFB

Engaging Advisors: Family Business Research

Findings from Qualitative Research

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SPENCE
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Contents

- Introduction
 - Background
 - Objectives
 - Methodology
- Key Findings
- Summary of Implications
- Review of Main Findings
 1. Family business Owners perspective on advisors
 2. Advisor perspectives on family business owners
 3. Advisor Skill sets
 4. Preparing for Advice
 5. Governance
 6. Succession planning
 7. Referral process
 8. Business practices
- Appendix
 - Discussion guide
 - Research themes

Introduction – Background

The project premise

The Context

- Family businesses face specific challenges that are different from other firms such as partnerships or widely-held corporate entities
- Family business owners are often both company directors and controlling shareholders where their personal wealth and corporate responsibilities are completely entwined within the same firm
- Family business owners have historically taken advice from a variety of professionals such as lawyers, bankers and accountants
- Many legal and financial professionals lack the interpersonal and communication skills necessary to work effectively with multiple generations of family business stakeholders
- Relationships between advisors and owners may be difficult and outcomes suboptimal. This due more often to complex family dynamics than any lack of technical competence

The Sponsors

- STEP and the Institute for Family Business have a shared interest in enhancing the match in terms of service delivery between advisors and their family business clients
- STEP has advisor members who are skilled at delivering trust and estate planning advice to private clients, who are aware and involved with work involving interpersonal competencies as well as black-letter law and finance
- The IFB has family business members who are looking for advisors with a broad mix of skills to satisfy their business, governance succession and strategic planning issues

Introduction - Objectives

Generate Insight to Support Advisors & Family Business Owners

*Family Business Research
Focus Group Findings*

The Research Project

- STEP and the IFB jointly commissioned a research project to highlight respectively the need for soft skill development among legal and accounting practitioners and offer a guide for family business owners to better engage with advisors
- The research aims to explore the rift between family businesses and advisor business models to provide a better guide to retaining and engaging advisors for family business owners
- For STEP, the research objectives are to highlight the importance of the different type and quality of advice that should be delivered to family business owners. This includes raising awareness of the need for stronger interpersonal communication skills among advisors including: listening skills, mediation skills, facilitation skills and conflict resolution skills
- For the IFB, the research aims to secure content for an IFB Family Business Challenges guide “Engaging Advisors”. This includes selecting, briefing and instructing professionals, co-ordinating different advisors to work together more effectively and putting into place processes to execute the advice in a holistic way

Introduction - Methodology

Qualitative Research among Engaged Respondents

Methodology

A two stage qualitative methodology was followed.

Stage 1: Theme seeding discussions were held with subject matter experts from STEP and the IFB

Stage 2: Two 90 minute Mini-Focus Groups with 3 and 4 respondents respectively were followed by a further 2 individual interviews

Sample

Interviewees	FB Owners	Sandaire
	Non-Advisors	Independent Consultant Family Business Journalist
Focus Groups Participants	FB Owners	William Reed Business Media Samworth Brothers Linney Group
	Advisors	familydr Limited Dixon Wilson Rothschilds Coutts & Co
Sample	FB Owners	4
	Advisors	4
	Non-Advisors	2
Total		10

* All respondents' names remain unattributed as per Market research Society best practice.

Key Findings

- Advisors are needed by family business owners and family stakeholders to manage the complexity in their businesses and their relationships
- There is some dissatisfaction among family business owners of the type of skills their advisors possess and the way these services are delivered
- There are good opportunities for advisors to add value to these relationships but there is a significant challenge in bringing together the right mix of skills to deliver solutions in an effective way
- There are some practical ways that advisors can improve the quality of service they bring but these improvements are most often found in other functions such as HR, counselling, mediation, thought leadership, networking
- There are also some structural barriers to making improvements in service delivery such as the private partnership structure or time-cost pricing policies that will be much harder to change

Summary of Implications (1)

1. Family business owners perspective on advisors
 - Advising family business owners is qualitatively different from advising corporates or individuals
 - There is a shortage of talent in advisors with the right skill sets to service the needs of family businesses

2. Advisor perspectives on family business owners
 - There are good opportunities for advising family businesses but success depends much more on soft people skills than hard, technical skills
 - There is no low hanging 'revenue' fruit in advising family businesses but the complexity of problems is commensurate with significant fee earning potential

3. Advisor skill set
 - A successful career in family business advice is based on an equal mix of acquired professional qualifications and innate emotional skills
 - Firms or advisors seeking to work with family businesses should develop a set of cultural values that can bring together the hard skills and soft skills

4. Preparing for advice
 - Advisors need to proactively and continually interact with family businesses to highlight the value of their advice
 - To secure positive outcomes, advisors must focus on engagement and a robust advisory process
 - Success in fostering engagement is driven by non-technical learning and development activities

Summary of Implications (2)

- 5. Governance
 - Supporting family businesses with a new governance structure is among the most challenging tasks an advisor can face due to the complexity of realigning personal relationships into a rational business organisation
 - Advisors need to bring a unusual mix of empathy, impartiality and process management based on deep experience to be successful

- 6. Succession planning
 - Advisors seeking succession planning work in a family business context will need to possess skills that extend well beyond that required by their respective professional qualifications
 - Experience with HR assessment processes and organisational psychology will enhance the success of advisors working in succession planning for family businesses

- 7. Referral process
 - Relying on traditional referrals from fellow professionals is not sufficient to build a family business advisory practice
 - Advisors should broaden their networking activities to their clients and improve their consultative selling skills

- 8. Business practices
 - Advisory business models need to be adapted to produce positive outcomes for family business clients
 - Professional qualifications need to be supplemented to encourage collaborative behaviour

Review of Main Findings

1. Family business owners perspective on advisors

Themes

- There is a need for advice that is specific to the family business context
- Family business owners have difficulty in finding advisors with the right skill set
- Family business owners recognise and value the support their advisors give them
- There is frustration at the small number of advisors with the right skills and temperament

Observations

- *In looking for an advisor, most respondents were inclined to be reactive rather than proactive*
"We wouldn't go out of our way going to look for somebody unless we actually needed to."
- *Once a need for advice had been established, the first problem is how to find the right advisor*
"Most of the professional side is actually deal driven"
- *Finding advisors with the right mix of qualifications and experience is a challenge*
"Everybody said they could help but most people did not understand family businesses"
- *Missing skills come to the fore very quickly in identifying disconnects*
"There is ego, arrogance, lack of empathy and a real lack of real credibility in terms of actually having done it before"
- *The need for good quality advice is clearly recognised*
"The difference between being a successful owner and family and an unsuccessful owner and family is whether or not you're savvy enough to choose the right advisors and use them in the right way"

Implications

- Advising family business owners is qualitatively different from advising corporates or individuals
- There is a shortage of talent in advisors with the right skill sets to service the needs of family businesses and who empathise with the sector

Review of Main Findings

2. Advisor perspectives on family business owners

Themes

- Advisors recognize that skills beyond professional qualifications are required to be an effective advisor to family businesses
- Advisors greatest challenge is managing family businesses' many non-technical, people based issues
- There is high level of job satisfaction working with family businesses on complex issues over long time periods
- The higher fees that are commensurate with family businesses greater complexity of problems are attractive
- Advisors are frustrated with the challenge of being listened to and getting clients to act on their advice

Observations

- *Respondents agree that there are significant attractions of advising family businesses*
"You have bring in all these different strands of ability and knowledge and that goes far beyond the sort of technical skills"
"Making a real difference to sustain their business longer term is really rewarding"
- *People based attractions top the list*
"Family businesses are filled with extraordinary people with extraordinary stories"
"The fact that you are working with two or often three generations is really special"
- Business attractions are often secondary
"You don't graduate with your accountancy qualification and then suddenly find that you can do this"
- Revenue attractions came a distant third but are significant if accessible
"The question of fees is a much easier issue to address with family businesses because we both know that there are benefits in the long term relationship"
- Some of the challenges are generic to all advisors, others are particular to family businesses
"You can never really tell a family business what to do" "People with extraordinary wealth and power find it difficult to entrust others" and "entrepreneurs are not the best delegators"

Implications

- There are good opportunities for advising family businesses but success depends much more on soft people skills than hard, technical skills
- There is no low hanging 'revenue' fruit in advising family businesses but the complexity of problems is commensurate with significant fee earning potential

Review of Main Findings

3. Advisors Skill sets

Themes

- Family businesses need holistic advice that does not neatly fit the product orientated types of advice offered by the professions
- The type of service family businesses require goes well beyond most advisors formally acquired, qualification based knowledge set
- Hard skills (technical intelligence) are viewed as commoditised and less important to the business but nevertheless must be absolutely sound
- Soft skills (emotional intelligence) are viewed as rare, valuable and more important to the success of the family business relationship
- A strong culture and consistent values are potential bridges between the hard and soft skills that family businesses require

Observations

- *There is general recognition that the needs of family businesses and the business models of professionals have diverged*
"The family business is a continuum, but the professional role has become more transaction oriented"
"Rather than getting closer to families, professionals are getting further away and not understanding the problem"
- *The traditional technical qualifications of most professionals are no longer seen as sufficient*
"Family businesses have very little interest in being talked to about tax, accountancy and structuring; it is nearly all soft stuff"
"I think that 'hard' skills are easy to learn and are very close to being commoditised"
- Technical skills are necessary but require partnering with emotional skills
"The prime requirement is that you've got a really good toolbox; you need to be technically absolutely sound"
- Soft skills are seen as innate, rather than learned
"Empathy is very difficult to learn and is non scalable" "Lots of really skilled professionals haven't got EQ, but you can't really teach that"
- The skill set of successful family business advisors is values based
"Family business issues are just common sense and making sure people get on with each other"
"It's pretty important to keep the culture of the firm or the advisor consistent"

Implications

- A successful career in family business advice is based on an equal mix of acquired professional qualifications and innate emotional skills
- Firms or advisors seeking to work with family businesses should develop a set of cultural values that can bring together the hard skills and soft skills

Review of Main Findings

4. Preparing for Advice

Themes

- Advisors are usually only needed when a family business reaches the limits of their own resources
- These limits are most commonly hit when an older generation reaches retirement or when there is a family crisis
- Getting engagement by the family - whether proactively or reactively - is challenging but essential
- Planning in advance and adopting an advisory process can improve the ability to take advice
- Advisors have adopted practices to improve preparedness; these include education, counselling and thought leadership

Observations

- *The role the advisor can play is naturally constrained by the needs of the family for advice*
"Preparing for advice is somebody having some clue as to what advice it might be one's preparing for"
- *Human nature dictates that most advice is sought only when there is a crisis*
"Professionals are essentially reactive because they're not able to always have all the background information"
- *The challenge for advisors is to get family businesses to take advice before a crisis happens*
"The preparation for using advisors it is to simply use advisors - whether you need them for something specific or not"
- Securing engagement in the advisory process must happen for the advice process to even begin
"Without engagement it's very difficult for advisors to come into the family and offer services and solutions"
"Advisors need to empower the family to choose who they're going to work with"
- Following a tried and tested process will improve outcomes
"It is all about the process; If you haven't got a process then there's no way you're going to get to the big decisions"
- Some techniques are more effective than others at fostering engagement
"engaging the next generation and anticipating future risks starts with education" ... "thought leadership is about the quality of the engagement and expanding your intellectual capital"

Implications

- Advisors need to proactively and continually interact with family businesses to highlight the value of their advice
- To secure positive outcomes, advisors must focus on engagement and a robust advisory process
- Success in fostering engagement is driven by education including non-technical learning and development activities

Review of Main Findings

5. Governance

Themes

- Governance with family businesses derives from the need to overlay family structure onto business structures
- Governance in family businesses is built on trust between people first, sound structure second and legal documentation third
- Advisors have an important role to play as impartial observer, honest broker and experienced process manager

Observations

- *Managing governance in a family business is difficult because the owners are often also the managers*
"you can spend a fortune on structured, formal education on how to be a manager, but where's the structured formal education for how to be an owner"
"first and fundamental must be the desire to have a business that transfers across generations and has a value independent of the family"
- *Trust underpins governance because business structures are not always congruent with existing family dynamics*
"you have to work extremely hard at making sure the trust is underpinning the governance all the time"
"people are more important than structure because when the structure isn't right, people's behaviour can't change"
"there are always going to be family members who aren't congruent with the family culture"
- Engendering trust, honestly appraising individuals strengths and weaknesses and accepting dysfunctional family dynamics are valuable services the advisor can bring to the governance process
"advisors can help in this process by raising awareness that their family system is imperfect"
"structure should create clarity about everybody understanding what their roles and responsibilities are and where the lines are drawn and what they have access to, particularly in terms of information and communication"

Implications

- Supporting family businesses with a new governance structure can be among the most challenging tasks an advisor can face due to the complexity of realigning personal relationships into a rational business organisation
- Advisors need to bring a unusual mix of empathy, impartiality and process management based on deep experience to be successful

Review of Main Findings

6. Succession Planning

Themes

- Separating ownership rights and responsibilities from management roles is critical to good succession outcomes
- Succession planning is a prime example of where holistic, rather than product specific, advice is needed
- Advisors bring two key skills to succession planning: setting objective standards for management skills and acting as neutral observers of individual family members strengths and weaknesses

Observations

- *Identifying what kind of succession is required is an important starting point*
"it depends whether you're talking about succession to management or succession to ownership"
- *Putting succession into the context of all available options is another early task*
"You've got four options; keep it purely family, bring in expertise in one particular role, bring in wholly professional management or sell the business"
- *A holistic perspective of both the needs of the family, it's members and the business is essential*
"I think there is a role for the advisors smarter than just to talk about tax planning and rules and think about the consequences to the business as well"
- *Counselling skills are complemented with the experience of an HR professional*
"if succession is to be effective it requires rigorous objective standards to be applied to the individuals concerned; after all, this is about people"
- *The insights of an impartial counsellor will help engender trust*
"the value-add of the outside advisor is to provide insights into the qualities and calibres of the people and come up with hard truths, to be able to hold up a mirror to the people and the family psychological system"

Implications

- Advisors seeking succession planning work in a family business context will need to possess skills that extend well beyond that required by their respective professional qualifications
- Experience with HR assessment processes and organisational psychology will enhance the success of advisors working in succession planning for family businesses

Review of Main Findings

7. Advisor referral process/engaging advisors

Themes

- Advisors work in partnership silos whereas families work as networks
- Advisors need to practice a more sophisticated form of selling that is based on dialogue rather than transaction or solution push
- Cultural and emotional connections are more effective than technical connections

Observations

- *Advisors could better leverage their social capital for the benefit of other clients*
"The one thing that advisors need to do much more of is put families in touch with other families"
"Advisors need to help their clients by getting to speak to other families who've been through the same thing"
- *Technical solutions alone do not constitute a marketing proposition*
"There needs to be a cultural and emotional fit to make a connection"
- *Rather than rely on simple referrals, advisors could become more effective at consultative selling*
"Great selling is about a dialogue with the seller probably asking more questions than making statements"

"we spend our lives marketing either ourselves or our business .So it's not doing the selling as such, as doing it well that counts."

"there's some commercial element that looks at reciprocity; certain firms give each other quite a lot of referrals even if they may not be the right person to deliver that service"

Implications

- Relying on traditional referrals from fellow professionals is not sufficient to build a family business advisory practice
- Advisors should broaden their networking activities to their clients and improve their consultative selling skills

Review of Main Findings

8. Advisor business practices

Themes

- Pricing of advisory services is undermining value propositions
- Advisors recognise that team playing can deliver better value for the client - albeit with less share of wallet
- Advisors need to adapt their professional constraints and structural barriers in order to deliver a holistic service

Observations

- *There is dissatisfaction with the hourly pricing model of most professional practices*
"I think advisors need to get away from the clock ticking"
"It has to be an outcome-based fee structure, not an hours-based fee structure"
"The advisor should be as skilled in pricing their services as our business is in pricing our products"
"I don't think advisors should take commissions; I think they should be transparent about the way that they bill"
- *The need for holistic solutions suggests a new breed of professional may be required to satisfy family businesses*
"Advisors are not solution providers; they are a facilitator of a solution that works for every individual family."
"Advisors can't provide solutions; families have their own problems and need to make their own solutions."
"As a family business owner I need a banker, a lawyer, an accountant, a tax practitioner, an employment specialist"

Implications

- Advisory business models need to be adapted to produce positive outcomes for family business clients
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Appendix - Discussion Guide

Focus group and interviews

1. Family business Owners perspective on advisors

Why do family businesses need help from advisors and what are the challenges working with them?

2. Advisor perspectives on family business owners

What are the main attractions and challenges of working with family Business owners?

3. Advisor skill set

How important are soft skills in working effectively with families? What can advisors do to bridge the soft skill set gap?

4. Preparing for Advice

What can families do to prepare for the advice they are going to need in the future How can advisors help Family Business owners 'get ready to engage'?

5. Governance Structures

What are the conditions required for new governance protocols to be introduced? How can advisors help families prepare for and manage the governance transition?

6. Succession Planning

What is the main difficulty that family businesses have putting in place succession plans? How can advisors help manage the succession planning process?

7. Advisor referral process

How do business owners want to interact with advisors before starting a relationship? How can advisors satisfy these needs?

8. Advisors business practices

How can business owners encourage and facilitate collaboration between different advisors? In what way do advisors have to change to meet these needs?

Appendix – Research themes

For follow on research or publication work

*Family Business Research
Focus Group Findings*

Family business Owners perspective on advisors

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Appendix – Research themes **For follow on research or publication work**

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Succession planning

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