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An appraisal of family enterprise advisors as enhancers of both group performance and individual family member employability profiles

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Abstract: A survey of the challenges faced by family businesses indicates that they face fundamental strategic challenges every 2 years and 50 days on average. In some sectors and circumstances the regularity is shorter, with a minimum timespan of 20 months, or longer, at a maximum of 3 years. Tackling such challenges effectively often requires the dedicated support of a spectrum of advisors and consultants, typically those with expertise in law, finance, management and behavioural issues. Such support and advice is appraised in this report through the eyes of both an entrepreneurship academic and an experienced international family business advisor, using the family advisory themes of impact, relationships, variety and socioemotional wealth identified in Reay et al's (2013) recent examination of the role of family business advisors. The findings reinforce outcomes of current academic research and add several new dimensions worthy of further study, including evaluations of the extent to which the family element extends or shortens the timespan between major issues compared to non-family enterprises, and an assessment of the long-term benefits of investing in the necessary time to develop an effective client brief and buy-in compared to the provision of short-term solutions. The study also suggests that properly-managed collaborations across and between the various advisors used by a family business client can help develop even more effective and timely resolutions of the fundamental major strategic issues that tend to arise on a relatively regular basis in family business enterprises. In addition, the family advisor has an important role to play in helping to enhance the employabilty profile and performance of individual family members.

Keywords: Family business; Advisor; Impact; Relationships; Variety; Socioemotional wealth; Employability.

Biographies: Simon O'Leary is a Principal Lecturer in entrepreneurship and strategy in the Faculty of Business & Management at Regent's University London, UK. He has published in academic journals and presented at international conferences on links between enterprise education and graduate employability. Chris Swaffin-Smith is a Visiting Lecturer in the Faculty of Business & Management at Regent's University London and teaches on several family-business modules. Chris has worked in business for over thirty years and is currently a non-executive director of a family business as well as being an advisor to family-businesses around the world. He also runs development programmes for family-business advisors, such as accountants, lawyers and bankers.

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1. Introduction

The role of family firm advisors and consultants has been an area of much recent research interest, including a special edition of the Family Business Review (Reay et al 2013) with five further papers on specific aspects of the wide range of issues related to advising family businesses, a paper in the Journal of Entrepreneurship and Innovation (Weismeier-Sammer et al 2013) with a review of the directions for future research in the area, and a series of reflections on the breadth of family-business research over recent decades (Sharma et al 2012) where, amongst many other areas of research, explorations and examinations of the role of advisors are included.

In family businesses, added complexities often arise due to the combined aim of maintaining and developing both the business itself and family relations. As a result, in a similar way to non-family companies' use of external management consultants, it is often the mainly independent voice and support of trusted advisers to family firms that can provide the necessary frameworks and tools to resolve issues. This report addresses some international perspectives of the academic research on the role of family-business advisors and sets it in the context of the experiences of an established and well-respected international family-business advisor. This is intended to add to what is at present a relatively small but growing body of research (Strike 2012) compared to other areas of business and management research.

- **Case study observations:** In each of the following sections, the bulleted accounts outline relevant experiences of one of the co-authors, Chris Swaffin-Smith, an international and well-respected family-business advisor who has worked with many different family firms and other advisors over the last two decades. In some cases, these confirm the research findings from other studies and, at times, add fresh insight and highlight potential areas for futher study.

As outlined and encouraged in the Reay et al (2013) review, the aim of this report is to demonstrate an effective partnership between an experienced family business advisor and a research academic to systematically combine their work and contribute to the communication and development of family business theory and practice.

2. Thematic appraisals of family advisory roles

The Reay et al (2013) review of the role of family firm advisors identifies four important themes arising from analyses of such roles, and these are linked to relationships, socioemotional wealth, variety and impact. These themes form the basis of each of the following sections where issues related to each theme are addressed and the experiences of the experienced family-firm advisor are used to highlight examples that either directly support the theme or add a further dimension to the debate.

2.1 Impact

There are many aspects to determining whether or not an advisor has had a positive impact on a family business. Certainly, the re-employment of an advisor is itself an indicator of a positive relationship and family business research suggests that advisors can have a positive impact on firm performance (Reay et al 2013) and family dynamics (Kaye 2005) by building trust and resolving conflict. Areas of particular importance include the integration of family members into the business and the issues surrounding leadership succession. The work by Reay et al (2013) also highlights that collaborations between the various family-firm advisors is not a common activity, partly perhaps for reasons of a lack of knowledge of the others' involvement or because of issues of confidentiality, but that such liaisons, if managed effectively, could prove beneficial to all parties concerned.

It is well-recognised (Sorenson 2011, Poza 2010 and Kaye 2005) that family-firm advisors have the opportunity to make an impact in two key areas, in company performance and in family dynamics. Such analyses have formed the basis of many publications on family businesses, including the books and journal articles already mentioned. Clearly, employing an external advisor for a specific task or to provide guidance on particular issues can be expected to add value as it would perhaps otherwise not be requested. Therefore, having a positive impact in itself may not be surprising and what could be of greater interest is the extent to which value is added on issues of major importance to the family business.

- **Fundamental and critical issues:** A recent seminar, led by the Family Business Advisor author of this paper, for 25 Managing Directors of UK family-firms with turnovers of up to £25m, or around $40m, indicated that, over the previous 15 years, they had to make on average seven fundamental and radical changes to their businesses, changes that may be considered strategic rather than part of the operational day-to-day activities. These ranged from major changes in products and services to better satisfy external challenges to senior appointments and internal management developments often related to family ownership and succession. This equates to a major and fundamental strategic issue having to be dealt with, on average, every 2 years and 50 days, and at least every 3 years and possibly every 20 months.

Having to deal with a major strategic issue every two years may at first glance appear reasonable but it needs to be noted that this is on top of the normal day-to-day, week-to-week, month-to-month operational issues that crop up and need to be managed and addressed. In addition, although larger corporates often work on strategic plans with a five-year horizon or more depending on the sector, it is perhaps not surprising that smaller firms have to react more quickly. Nevertheless, it would be interesting to conduct some further research on whether the timespan is shortened even further still for family-firms because of the often concurrent combination of company performance and family-related issues to be dealt with.

2.2 Relationships

A successful advisory role if often dependent on forming a good relationship with the client. The advisory team itself could be made up of more than one person and the client too may well consist of more than one person, so a whole network or web of relationships may evolve over and beyond what may begin as a one-to-one interaction. Certain factors help reinforce the relationship, such as the embeddedness required to achieve the challenges set (Barbera and Hasso 2013) and an empathetic and learning approach being adopted by the advisor (Davis et al 2013), and in some cases the advisor may achieve what has been coined a Most Trusted Advisor status (Strike 2013) where the advisor may becomes progressively more involved in the intimate family dealings of the firm as well as in matters relating to its performance.

The development and continued maintenance of effective relationships has been an essential element of core texts on family businesses both historically (Colli 2003) and over recent decades (Ward 1987, Gersick et al 1997, Miller and Le Bretton-Miller 2005 and Leach 2011). The same of course can be said for any advisory collaboration but it is perhaps emphasised in a family-firm where the complexities of family ties are mixed together with individual and family ambitions, expectations and responsibilities. It is also important to make a distinction between good and effective relationships, where the former can infer amiability and the latter a focus on professionalism and impact, all of which are possible in the right circumstances.

- **Stakeholders:** The decades of experience of the Family Business Advisor author indicate that managers involved in family businesses have to balance the needs of several stakeholders, including family, other owners, staff, suppliers and customers. The experienced advisor notes that it is important to clearly define who the client is and to ensure that this is understood by all family members who have an interest in the outcome. This requires the advisor to spend a significant amount of time with the client to clarify the proposal and to identify relevant key issues at the present and in the forseeable future. In addition, all relevant family members should be involved in the discussions so that areas of conflict can be outlined, discussed and somewhat neutralised by adopting a common problem-solving approach towards the issue.

This suggest that both the character, including an empathetic nature, and skill-set of a family business advisor can be at similar levels of importance depending on the issue at stake. Compare this to an advisory project for a large corporate by an established management consultancy firm where there will almost certainly be personal relationships at a high level in each organisation, but where the project tends to be managed by managers below the principal parties. In a smaller business, the negotiators and the implementors tend to be much more closely connected and, in a small family business in particular, it may well be a a series of one-to-one relationships with family members across the piece. Clearly, communicating and agreeing a common aim is essential for an effective resolution of the issue. Further research on the long-term benefits of investing the necessary time in developing an agreed initial advisory brief compared to the provision of short-term emergency fixes would be welcome.

2.3 Variety

Organisations of all sizes and types often use advisors or consultants to offer specific expertise or new perspectives. The same is true of family firms who use many different types of advisors and consultants for many different aspects of their activities and typically these advisors fit into four groups: Legal advisors, financial advisors, behavioural advisors and management advisors (Reay et al 2013). The spectrum of advice can vary from project or task-specific short-term one-off support right through to comprehensive and strategic long-term and multi-dimensional consultancy and support from a Most Trusted Advisor (Strike 2013). As noted by Barbera and Hasso (2013), the nature, content and implementation of the support will vary depending on whether it is related to a survival or growth phase of the business. It is worth noting that non-family businesses use similar sets of advisors although, with the family elements excluded, the focus may be more on individual employees, groups, teams and departments.

- **External trends and internal complexities:** The experiences of the Family Business Adviser author is that the external environment in which any business operates is continually changing and family businesses face added complexity due to internal changes within the family, including patterns of ownership and issues of succession. Two examples of the external factors include the trends in the USA and UK for family-business undertakers to be acquired by conglomerates to enhance their competitiveness through stronger purchasing powers, and changes in home eating patterns accelerating a jam and marmalade family business toward exports and supplies to hotel groups. Examples of internal issues include changes in the amount of time that family members spend on the family business and changes in the financial demands of family members, as well as succesion issues and the integration of new family members.

Some family-business advisors specialise in providing advice on primarily externally-related issues such as marketing and sales, while others focus on internal matters such as management skills and teamwork, and some offer support on issues that cover the full spectrum of external trends and internal complexities such as strategy and business development. At the same time, knowledge sharing between the various advisors may be limited for confidentiality or other reasons. However, if the family firm client and the advisors agrees to such collaborations, recent research (Su and Dou 2013) suggests that such knowledge sharing among individual external advisors enhances the quality of the services provided, the improvements being due to a more accurate identification of the issue at hand, a systematic and shared analysis of the matter, the development of an integrated and holistic solution, and an enhanced credibility being given to the proposed solution because of the coordinated input.

2.4 Socioemotional wealth

The socioemotional wealth of a family firm embodies the non-financial aspects of the firm that contribute towards the needs of the family and may include, for example, the preservation of the original aims and values of the family founders, the development of family reputation or the recognition of the family for philanthropic purposes (Berrone et al 2012). Social capital in family businesses has been a cornerstone of much research and the foundation for regular conferences (Sorenson 2011). The research on social capital in family firms has tended to show that family firms have a relatively longer-term perspective compared to an often shorter-term and financial perspective in non-family firms, and this can give family businesses a potential advantage in surviving difficult economic periods and subsequently establishing platforms for future growth compared to non-family firms.

It is perhaps the theme of socioemotional wealth that most distinguishes a family business from its non-family equivalent. Similarly, non-family businesses pay increasing attention to issues of corporate and social responsibility and, in both cases, there can be a historical connection between current activities and the founding principles of the firm. After all, many existing corporate organisations started life as a family firm and, through expansions, acqusitions and public sales of company shares, evolved into the corporate entity that exists today. Therefore, a continuation of any founding principles is perhaps not entirely surprising. However, the familial link inherited through the chromosomes of family members still involved at a senior level can be expected to have, at one end of the spectrum, a degree of influence at least and, at the other end of the spectrum, a potentailly significant impact.

- **Family communication and coordination:** The Family Business Advisor author's experience over the years has been that senior members of the family need to ensure that there is regular and open communication with all members of the family on all mportant issues to help ensure effective and productive contributions by family members. In that sense, it is essential that the family business has a clear vision which translates into short and medium-term plans. Policies need to be introduced that separate family and non-family issues, covering such areas as remuneration, recruitment, selection, promotion and appraisal of both family and non-family members of the firm. It is also useful to develop a code of conduct and professional standards on how family member sought to relate to each other and to non-family members both within and outside the business, as well as with suppliers and customers. The ownership of company shares and succession plans also need to be developed to take account of the future aspirations for the business and the needs of individual family members.

The issue of social capital can be the one binding force that stays relatively consistent as the external and internal environments around the family business inevitably evolve as time goes by. The socioemotional wealth that is inherited and passed along the generations may of course also evolve to reflect broader changes in society and changes in emphasis by leading family members and groups.

3. Individual family member employability

Recent studies by the author on employability (O'Leary 2012 & 2013) conclude in part that content, capability and character are three key factors for developing student and graduate employability; content based on learning the relevant knowledge, capability being the correct application of that content, and character showing an ability to operate effectively both alone and in teams. This work was based on studies of students and graduates of higher education but the elements appear to be just as important for family members in a family firm. Clearly, the senior and experienced family firm members will have developed many of these traits over the years and may pass on their abilities either formally or informally to more junior family members. In addition, there is also an important potential role for family firm advisors to play in this respect.

Helping to develop an individual family member's general capabilities to be effective in the family firm requires them to have not only relevant knowledge but also the ability to apply that knowledge appropriately. Such skills tend to evolve progressively with experience, not only through their studies but also through experiences in team activities not necessarily directly related to the family firm, in sport, in work experience elsewhere, in music, in theatre and other activities, as well as at home. Developing an understanding of when to apply which content and in what context is important in problem-solving and hence important in developing suitable employability traits. In addition, each individual family member needs to become trusted to work both in teams and alone to manage issues and projects as necessary to achieve the best balance of results overall.

It is interesting to note that the current generation of new family firm members form part of what has become known as Generation-Y, a group that is understood (Terjesen et al 2007) to place great emphasis on personal development and where friendship groups are considred particularly important (O'Reilly 2000). Such issues may have contributed to Hira's (2007) research indicating that Generation-Y employees appear to be relatively high-maintenance once in the labour force and it would be interesting to research whether this is more or less pronounced in family firms.

4. Conclusions

The academic research and case studies suggest that the themes of impact, relationships, variety and socioemotional wealth do capture the essence of the role that family firm advisors need to function within. In addition, the regularity of occurrence of major issue to be tackled is emphasised, as is the need for the advisor to effect a balance of empathetic and assertive traits. The advisor needs to maintain a degree of flexibility in order to handle combinations of external and internal issues that often emerge in family firm advisory roles, whlist bearing in mind the socioemotional wealth that exists withing the family and its business.

- **Seven key steps:** The experienced Family Firm Advisor author considers that there are seven key steps for a family busines advisor to take to help ensure that suitable advice and support is provided to the family firm client. First, identify who is the client and assess how the advice that may be given could impact on the business and other family stakeholders. Second, spend the time to explore the issue fully with the client. Third, outline to the client what you believe your role to be and what limitations there are. Fourth, identify what other areas of advice the client may need and recommend an advisor if necessary. Fifth, clarify to the client the various stages of the work and what actions the client needs to support at each stage. Sixth, keep up to date with any external or internal developments that may affect the work. Seventh, if the client agrees, review progress confidentially with a respected independent party who can offer a critical review of progress as and when necessary.

Family business advisers have for a long time been involved in nurturing and training the next generation entering the family business and this continues today. Nevertheless, research suggest that the current group of Generation Y and Millenials (Howe & Strauss 2000) who have just entered, or are just entering, the workforce are somewhat different, in part because of growing up during the emergence of several new technologies such as personal computers, internet and smartphones. Martin (2005) indicates that this has affected the way that these people learn and process information, and this clearly has an impact on how they can be best educated and developed.

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