

FFI

ADVANCING YOUR

FAMILY

ENTERPRISE

PROFESSIONAL

SKILLS

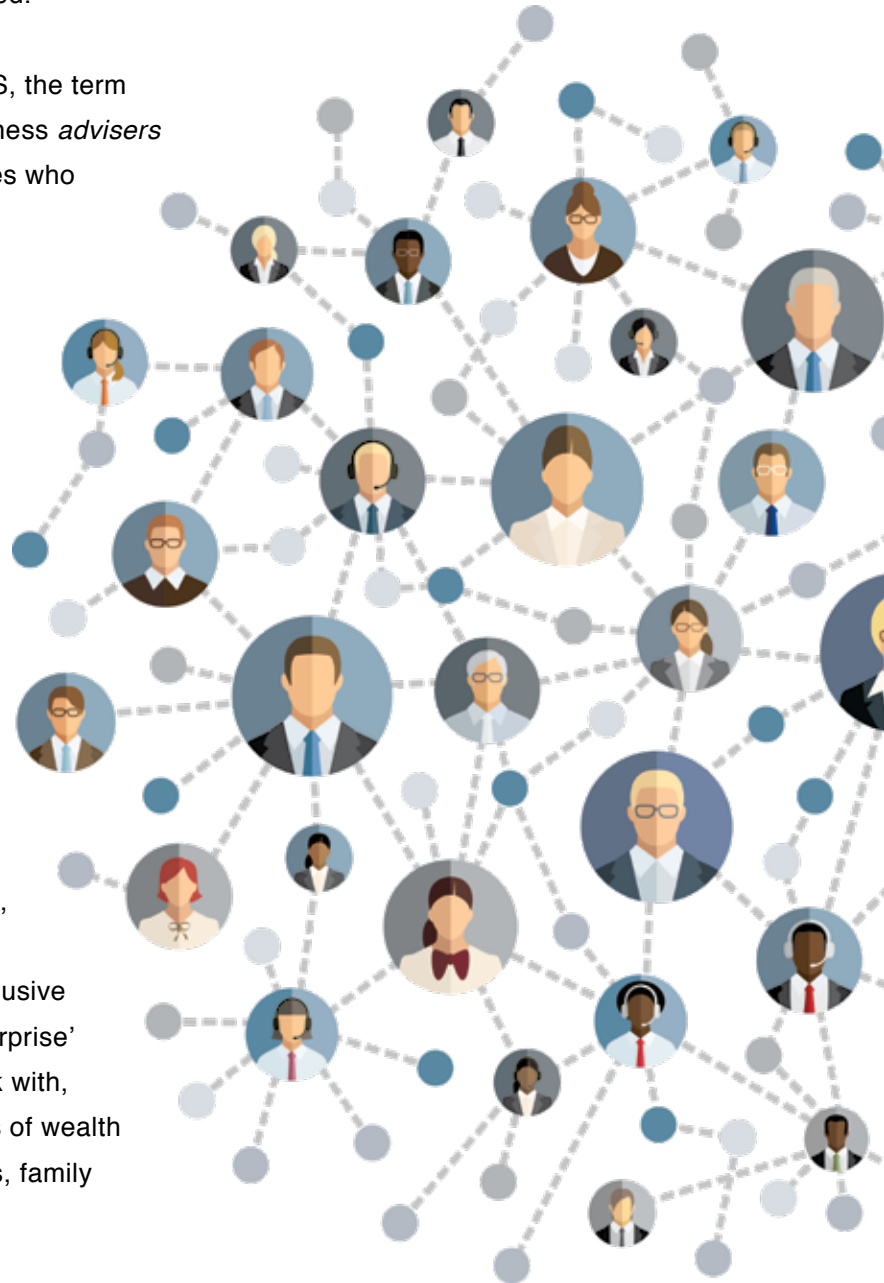


SOME HISTORY

So you want to be a family enterprise professional, or you are thinking about it. Either way, if you decide to join this growing professional community, here are some things you might want to know. For example, families in business can be found in all cultures, in all periods of history, in literature, in drama, and in economic analyses of gross domestic product in countries around the world. While it may be safe to assume that such enterprises always had advisers of some sort, it was only at the end of the twentieth century that a distinctly new profession of family business adviser emerged.

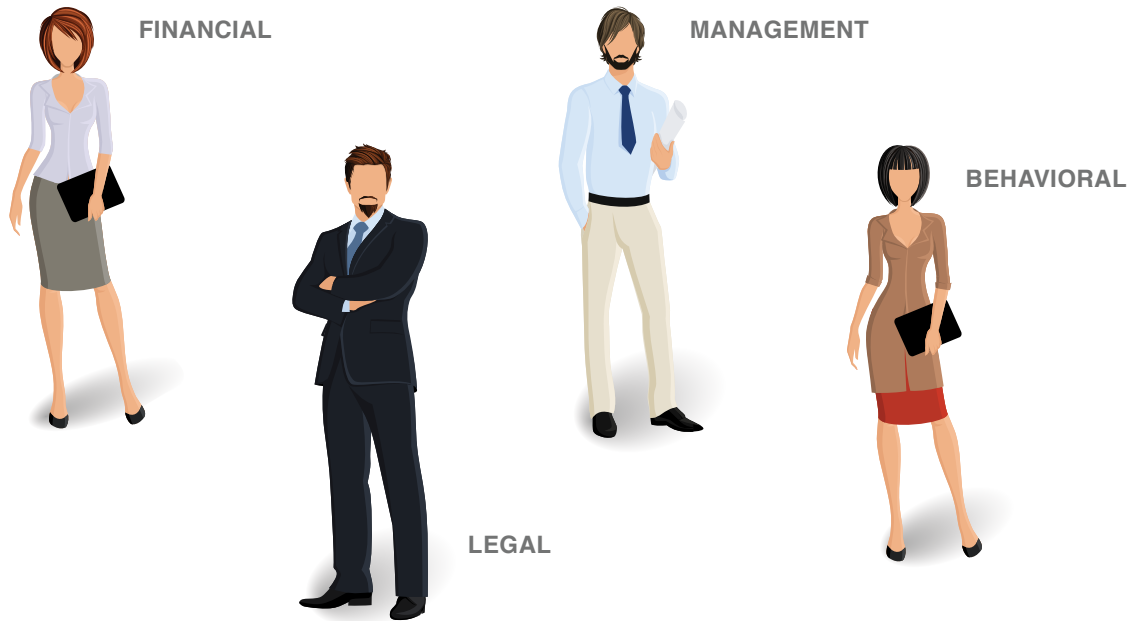
Sometime in the late 1980's, and mostly in the US, the term '**practitioners**' was coined to refer to family business *advisers* and *consultants* who worked primarily with families who had operating businesses. The term "adviser" refers primarily to people who still worked in the core disciplines of law, finance, management or behavioral science, often having family-owned companies as a part of their overall practice. The term "consultant" was used to describe those who no longer worked in the core discipline, but who worked directly with the family to create a governance plan, advise on education for upcoming generations, and manage the team of advisers in place.

As the field grew and more and more family business researchers and educators emerged, the term 'family enterprise professional' was expanded to include all four groups, i.e., advisers, consultants, university-based educators and academic researchers. At the same time, the exclusive use of 'family business' morphed into 'family enterprise' to include individuals and organizations who work with, educate, and research multi-generational families of wealth who might have family offices, holding companies, family foundations, etc.

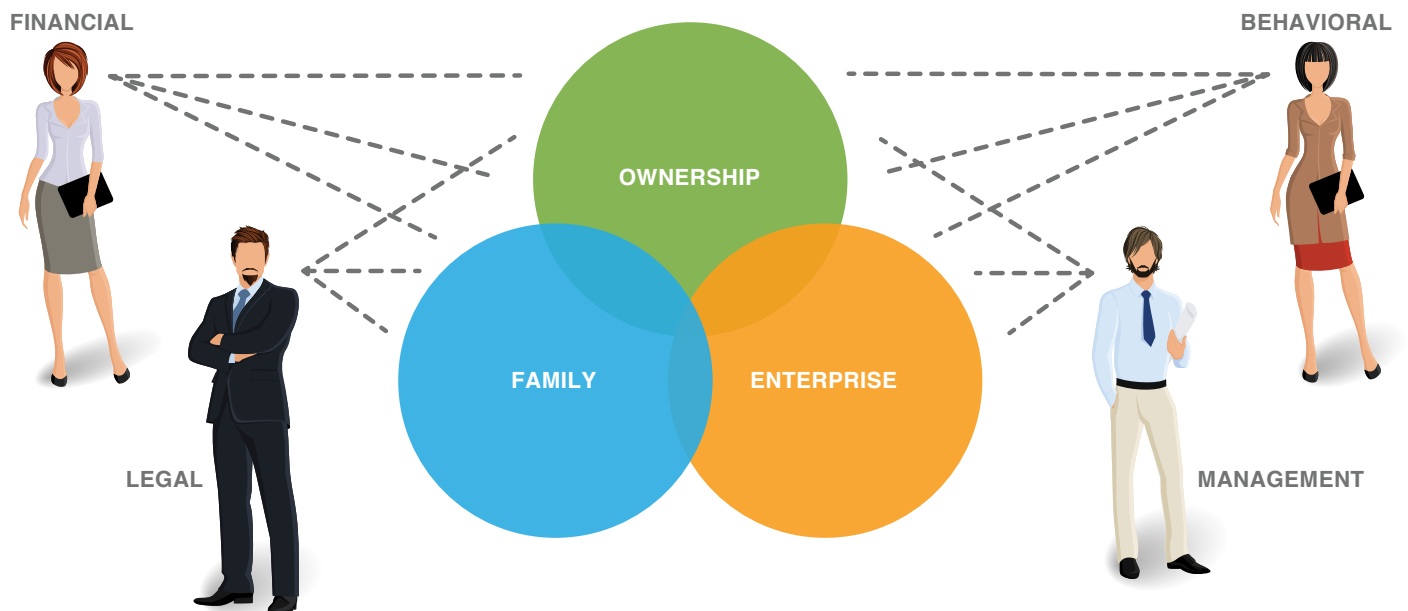


CORE DISCIPLINES

Identifying the core disciplines related to working with family enterprise was key to developing the field and structuring the skills and expertise needed for professionals practicing in the field.



How professionals from one of these core disciplines work with a family enterprise is often determined by their professional perceptions. For example, an attorney may view the issues involved with a family enterprise only (or mainly) from a legal perspective, an accountant from an accounting perspective, and so on.



Despite these different perspectives, all four core disciplines deal with a number of recurring issues that span professions including:

- Roles and boundaries within the family enterprise
- Intergenerational relationships
- Conflicts and disputes
- Visions and values
- Succession planning

For example, consider ways in which the four professions may deal with conflict:

- Lawyers by creating or revising agreements, or through negotiation, litigation, tax or estate plans
- Financial advisers by creating or revising financial or estate plans
- Management science by recommending changes in decision-making procedures, compensation, and team building
- Behavioral science through individual or group therapy, coaching stakeholders to deal more effectively with elements of the enterprise system, and developing effective communications

However, as the field has grown, so too has the sophistication of family enterprises who now expect more from their advisers than technical solutions. Instead, family enterprises are seeking the following from their advisers:

- Comprehensive advice vs. products
- Broad, as well as deep, knowledge
- More openness and knowledge of the 'soft side'
- Multidisciplinary teams with someone to coordinate and integrate

So, it follows that those entering the field need to consider a variety of topics to work effectively with these unique clients.

CHARACTERISTICS OF FAMILY ENTERPRISE PROFESSIONALS

In “Characteristics of Effective Family Business Advisors,” published in *FFI Practitioner* (Volume 2, August 2006), the authors discuss a study conducted with top experts in the field of family enterprise to determine the most important characteristics of a family enterprise professional. The following list of characteristics were identified:

FLEXIBILITY
RISK-TAKING
STRATEGIC-MIND
IMAGINATION
TRUSTWORTHINESS
EMPATHY
SYSTEMS-THINKING
PROFESSIONAL-DEVELOPMENT
APPRECIATION
LISTENING HUMILITY
RAPPORT
HOPE
COMPASSION
OPTIMISM
OBJECTIVITY
FAIRNESS
VALUE/ETHICS



Three of these characteristics were given top priority as being most helpful for professionals working with family enterprises: systems thinking, listening, and empathy.

In a *Family Business Review* article, “The Most Trusted Advisors and the Subtle Advice Process in Family Firms,” (*FBR*, vol. 26, 3: pp 293-313., July 17, 2013) the author identifies how advisers capture attention, how they become attuned to family firm members to influence attention, and how they aid family members to collaboratively interrelate and mindfully govern the firm in order to facilitate an environment of collective attention.

The study found that the Most Trusted Advisors (MTAs) share the following. They:

1 Have attributes to capture attention.

Namely, *Voice* and *Weight*.

- Voice – self-awareness; true to his/her values; trustworthy; have the best interest of the family and business at heart
- Weight – depth of competency; past experience with family firms and breadth of competency

2 Use attuning ability to influence attention.

This is the subtle process that MTAs use to become attuned to family members.

- Self in relation to others – understanding how group members relate to one another
- Self in contribution to the whole – providing independent objective advice; acting with suspicious trust; quarterbacking; encouraging multiple advisers
- Decision bias to others – accepting and supporting the decisions and goals of the family

3 Are skilled at facilitating collective attention.

MTAs facilitate an environment that connects family members with one another.

- Collaborative interrelating – MTAs help family members work together through (1) helping family members develop their own competencies, (2) helping family members focus on what is good for the group, and (3) helping the family make decisions together
- Mindful governance – MTAs encourage family members to slow down, stop, reflect, and think about the various consequences of decisions

ROLES OF THE FAMILY ENTERPRISE PROFESSIONAL

As you can see, there are many roles that a family enterprise professional may be called upon or choose to perform in the course of an engagement with a client family. Here are a few that are frequently required.

Coach

As coach, the professional works with individuals to teach new ways of communicating, setting personal and career goals, and determining whether these goals are compatible with the goals of the family business. A coach may also provide leadership training and assist with problematic relationships, keeping boundaries between family and business clear. Coaching also involves referrals to other professionals, such as a therapist, career counselor, or financial adviser.

Conflict manager

In this role, the professional works with members of smaller groups in the family or business who have the most difficulty working together, or who are trapped in a conflict that blocks the work. This effort will include dialogue building, conflict resolution, negotiations, and improving communications.

'Container' or holding environment

Introduced by DW Winnicott, who studied the nature of the mother/child bond, the 'holding environment' provides a balance of safety and challenge, of protection and vulnerability for the infant. Eventually, the child internalizes these elements and develops a robust sense of self. Key to healthy development, with implications for the ability to grow, learn, work, and love, is the quality of the holding environment. To provide this, the professional must be able to tolerate ambiguity and anxieties while the system and the individual change.

Transitional object for change

This role is similar to that of 'container' and requires that the professional be able to remain calm and manage his/her own feelings during the change process, while encouraging the client, and being available for support and encouragement. In order to employ this ability to identify and manage the effect of the family's strong emotional pull, family enterprise professionals learn to use the genogram, a valuable tool, first for themselves and then for the families they are working with. This role requires an ability to differentiate between normal anxiety associated with change and signs of pathological reactions. For example, if during the succession process the founder's anxiety increases, this is normal. If, however, during this process there are clear signs that the succeeding generation is unable to take over, or the founder continues to sabotage the process by staying actively involved in work, the professional must be more than a transitional object but must take an active role in helping the family business find solutions. For example, he or she might assess whether the successors are capable of taking over and willing to do so; or he or she might help the owner to let go and move on.

Teacher

The family enterprise professional teaches throughout the process. At one of the first meetings, a short teaching module on the uniqueness of a family business and some of the statistics of success and failure help to normalize the situation and assist

the family to see that they are not as unusual as they fear. The three-circle model is useful for families to see the complexity of their situation. Teaching and education is an integral part of the entire consultation, from issues of healthy communications, fair compensation, and how to run a family council meeting, to setting up a board of advisers or addressing the needs and concerns of non-family business managers.

Critic

The professional must ask tough questions—ones that open communications. Introducing this concept at the outset is essential. The family should be cautioned that critique is a part of the process, as well as creating a safe, structured environment in which to discuss the difficult issues. Circular questions are a variation on this technique. A circular question encourages systemic thinking, exploring interconnections and interactions.

Process police

As soon as work starts with the client, and the professional has established trust and a set of ground rules for interaction between family members, he/she continues to help the client by:

- Clarifying communications
For example, each person speaks for him/herself and differentiates between what they think, what they feel, and what they know for a fact. The professional may initially repeat what he/she has heard each individual say
- Encouraging a positive problem-solving approach
For example, if there is a disagreement, the family decides at the first meeting how to make decisions

about disagreements. This could be by majority vote, consensus, whoever is most affected decides, and so on. An agreed-upon process for managing conflicts can be a foundation for solving the larger issues of management transition and company ownership.

- Challenging the family's way of perceiving problems and proposing solutions.

This might include regular family council meetings, executive management meetings, learning how to conduct effective meetings, and making fair decisions. By establishing agreed-upon ground rules for interactions, the family will begin to solve their own problems.

- Creating structures

Structures are an integral part of the consultation process. They can provide security and predictability for rebuilding the trust that is necessary for agreements and consensus. Building and enforcing structures in each of the systems – family, ownership, and business – generates healthier interactions, enforces healthy boundaries, and offers methods and mechanisms for planning, solving problems, and managing conflict. The ongoing dialogue, negotiations, compromises, exchanges of ideas, and collaboration between the family and the business should sustain both the firm and the family over the long term. These mechanisms may include an 'off-line' conflict coaching session, a dialogue during the meeting with coaching from the professional, or stopping the conflict with a "deal with that outside the meeting" admonition. In the ownership system, the structures may include an outside board of directors. In the business system, performance reviews for family members and fair compensation mechanisms are other examples.

CORE COMPETENCIES NEEDED FOR FAMILY ENTERPRISE PROFESSIONALS

To perform these roles and/or meet the expectations of the sophisticated client, there are certain core competencies that should be part of the professional's expertise. These can be learned over time and, in all cases, ongoing learning is required.

Systems thinking

Systems thinking is about creating structures to manage the interactions between and among systems. It involves working with multiple levels of the client system and the complex web of relationships. The family's reality has been constructed over time by its interplay and interactions. As family members learn how to build new ways of dealing with each other, they develop more effective methods of solving problems. Much of the professional's work consists of building structures, processes, and procedures, such as family councils, family employment policies, shareholder agreements, and codes of conduct to manage and monitor the interaction between the systems. It involves creating healthy boundaries, not barriers, between the family and the enterprise.

Process/content

In working with family businesses, the professionals must be able to provide information as well as manage the change process. Content and technical expertise and knowledge of change management is needed to work with family enterprises. The professional must know the difference between process and content, understanding the importance of each, and use both as the situation requires. For example, the professional working with a business family must be able to answer specific questions about the estate plan, transfer of ownership and management issues in the succession process, as well as manage and guide the change process. Most change efforts in family businesses are not likely to succeed unless there is an appropriate combination of content and process, creating outcomes as well as process improvement.

Multidisciplinary team approach

Teams are often useful when working with family enterprises, as no single professional possesses all the content information and process skills necessary to solve every potential conflict or problem. Improvements to the technical side, such as defining a sound estate plan or clear roles and responsibilities, promote healthier relationships that in turn support good business practices. It is unrealistic to expect that any one professional will be able to understand all the complexities of estate planning. But it is critical that professionals, when working with family businesses, understand the tax consequences of not having an estate plan, or the potential family consequences arising from the structuring of trusts and the selection of trustees. 'Process' consultants, such as organization development consultants and family therapists, should have familiarity with corporate and governance structures, and financial terminology. 'Technical' consultants, such as accountants and lawyers, should be familiar with key psychological issues, such as family developmental life cycles and the impact of crises on family dynamics.

MODELS OF TEAMS

Family enterprise professionals come to the field from a variety of professional backgrounds, especially law, finance, behavioral science, and management science. Each of these professions has a body of knowledge that provides its practitioners with expertise that is critical to helping family enterprises. The complexities of family businesses can overwhelm those who have worked independently. Nonetheless, since clients are increasingly expecting their advisers to work as a team, it is important that family enterprise professionals understand and master the benefits of the team approach.

There are several models of teams. These models depend on the level of coordination, the members' commitment to the team, and how often and how they work together. There can be:

- Accidental interaction – advisers who meet and connect only through the client, and coordinate their efforts only in their work with that particular client
- Dysfunctional interaction – advisers unknown to one another, even if working with the same client, with no coordination
- A consulting (interdisciplinary) team – a pre-existing team that is hired by the client
- A collaborative (multidisciplinary) team – advisers from different disciplines who meet, get to know each other's work, and bring one another into client situations on an as-needed basis, or in a 'shadow' consulting function



Despite the recognition that multidisciplinary teams offer more comprehensive advice, they also pose challenges. Team members must deal with the following questions before beginning their work together:

- Who will direct the team's activities?
- Who will see that the work is coordinated?
- How will the billing be handled?
- How will differences of opinion be managed?
- Who will liaise with the client?
- How will the client be sold on the team?
- How will competition for the best idea or the best recommendation be dealt with?
- How will everyone find the time necessary to plan for the tasks of team maintenance as well as meeting the client's needs?

The ethical issues of each profession will also need to be addressed. Here are a few examples of questions that might be raised by each adviser on the team:

- Lawyers may ask: Who is my client?
- Therapists may ask: What are the issues of confidentiality? What are the boundary issues?
- Advisers from financial fields may ask: What are the financial priorities and how do they fit into the family priorities and values? How are the intangible assets of the family included in the valuation?
- Everyone may ask: What are the consequences of my advice on the other areas of the family business system? For example, what are the consequences of my legal advice on family dynamics?

SPECIALIZED EDUCATION FOR FAMILY ENTERPRISE PROFESSIONALS: PEER LEARNING VS STRUCTURED LEARNING

The term ‘peer learning’, first coined by social scientists, has had a variety of meanings. In the development of the family enterprise professional it typically implies a reciprocal, a two-way (or more), learning activity. Peer learning can be mutually beneficial and involves the sharing of knowledge, ideas, and experience among the participants. It can be described as a way of moving beyond independent to interdependent or mutual learning.

Early champions of the field, such as the Family Firm Institute, Inc. (FFI), were committed to peer learning largely for two reasons: 1) there was no reliable research, and 2) the experiences of practitioners with their clients was a way to create the field and develop research questions that would lead to a formal recognition of multi-generational family enterprise advising as a legitimate professional activity.

Today peer learning remains an element of building a personal development plan. However, creating social networks and sharing best practices is only part of professional education in the field. As family enterprise practitioners and researchers encounter more global and more complex family companies, it becomes increasingly important that peer learning opportunities should be coupled with curated, vetted educational programming. To this end, the Family Firm Institute created structured learning programs and began offering certificate programs for family enterprise professionals as early as 2001 and more recently, in 2011, FFI launched its Global Education Network (GEN) program. FFI GEN is the product of more than 30 years of practice and research in the field. The program is unique in that it provides students with trusted, time-tested knowledge and skill development using a multidisciplinary approach. FFI GEN doesn’t train advisers using a cookie cutter or “one size fits all” method, but rather helps advisers sharpen and develop their skills and gain a multidisciplinary perspective in their work. Family enterprise advising is both *art* and *science*.



In GEN, and as part of any educational program relating to family business and family wealth advising, professionals should be exposed to these key concepts, which will underpin their work with family enterprises:

- Systems theory
- Three-circle model and how to work at the interfaces
- Consulting model
- Multidisciplinary mindsets
- Cross-generational thinking
- Genograms

The new generation of family enterprise professionals is unique in several ways:

- They are committed to a multidisciplinary approach to the client
- They recognize the need for additional and ongoing education beyond what was received in the core disciplines of law, finance, management science, and behavioral science
- They realize that collaboration among and between advisers, consultants, researchers, and educators is necessary if the global economic engine of the family business is to remain vibrant
- They represent an ever-growing pool of qualified educators and advisers that family enterprises can turn to for advice



CONCLUSION

The major change in the roles, relationships, and responsibilities of professional advisers has evolved because the profession is now established. With the maturity and professionalization of the field has come structured and formal educational programs and requirements, such as the FFI Global Education Network (GEN). These educational programs have moved the field beyond anecdotal observations on “best practices” and peer learning insights, however valuable they may be. Core curricula now exist for family enterprise professionals, and the clients (multigenerational families) are now able to assess their potential advisers based on the completion of external recognized certificates and credentials.

Thinking, research, and educational opportunities around families and their businesses has also expanded hugely in recent years and it should not be ignored. It offers significant benefits to those working in the field. The new generation of family enterprise professionals can provide their clients with solid, individualized, and refined responses to the issues of succession, liquidity, wealth creation, and so on. Professionals interested in a career in this field should consider the roles and core competencies that family enterprises now expect from their advisers. The Family Firm Institute offers a wealth of resources, research, and access to a network of multidisciplinary professionals, academics, and researchers from around the globe. The FFI Global Education Network (GEN) certificate programs equip graduates with unique qualifications to better serve their clients and to further the field of family enterprise globally. Accounting for between 65 and 85 percent of all business worldwide, family enterprises are crucial drivers of both the prosperity of nations and the global economy as a whole. Coming in all shapes and sizes—ranging from corporate giants such as Walmart, Samsung, and Tata, to countless small to medium-sized companies—family enterprises cut across all industry sectors. And, while no two businesses are exactly alike, and each company has its unique structural, operational and cultural nuances, when it comes to family-owned enterprises, there is an additional layer of complexity that demands a specialized knowledge and skill set from those who seek to advise and guide them.

About The Family Firm Institute (FFI)

For more than thirty years, the Family Firm Institute (FFI) has engaged in educating, connecting, and inspiring professionals who serve family enterprises. FFI is the leading association worldwide for family enterprise professionals and the organization of choice for the advisers, consultants, educators, and researchers who help perpetuate transgenerational family business enterprise. In adopting a multidisciplinary and global perspective, FFI understands family enterprise as a fundamental driver of global economic growth, prosperity, and stability.

FFI's mission is to be the most influential global network of thought leaders in the field of family enterprise. We provide research based learning and relevant tools for advisers and consultants, academics and owners to drive success.



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