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Introduction

This special report addresses the persistence of an idea that is sustained by a combination of the self-interest of its proponents and the current absence of a viable alternative. The idea is that every family business needs an adviser who is trusted above others and who can do things for the family and its business that presumably other advisers cannot be trusted to do. Meet the individual trusted adviser, or most trusted adviser.

The term 'family business' is used in this report to describe any group of relatives from the first generation onwards who own a business. The family could be any of the following:

- a nuclear family of parents and children;
- a blended family of partners and children from more than one relationship;
- a multi-generational family or network of families descended from a known ancestor; or
- a family that extends beyond blood relatives to include those with other kinship ties.

In whatever way a family defines its connections, some members have ownership control of a business either directly or through other entities such as trusts, partnerships or holding companies that are in turn controlled by the family. The family might also manage its business or could have hired non-family to take care of this.

The ‘familiness’ of the business is fixed whenever the intention of the current owners becomes to pass control to the next generation of their family. This intention may have been the aim when the owners started or took over the business, or may have become a goal as they grew older and the question of “What next?” could no longer be ignored. Until this intention forms, the owners are living another dream – one which is about being in control of their own venture and which may include broader aims of making a fortune, building a reputation, creating employment, putting something back into society and simply trying to be happy.

When the current owners start thinking about the “What next?”, they will be concerned about the relationships among family members and the interaction between the family members and their business. At this time, potentially sensitive questions demand attention, such as who in the family will be the future owners or the next leaders of the business. While some families figure out how to balance the demands of the business with their desire to be fair, loving and considerate to family members, others seek help from advisers.

Since our experience of trusting – for good or ill – starts with family and grows out to others, most family businesses and advisers share a natural instinct towards forming a trust-based relationship of some sort. The notion of there being an individual adviser who can be trusted to look after the family and its business can be traced back to the major-domo – who, incidentally, could claim to have been providing family office services long before the term came into vogue. In time, the major-domo became known as the general practitioner – someone who could look after a family’s personal and commercial interests; but nowadays the general practitioner has become extinct and specialists dominate the advisory space.

Specialists seek to understand the complex reality of a family business by deconstructing it into a series of specialist problems to which there are technical answers. This is accepted because nowadays every adviser is some sort of specialist; but the families might reasonably question whether life is really that simple. This reductive approach also means that families are left with the challenge of pulling together different advice from various specialists, which is awkward when they lack the technical know-how that is needed for the task. So the family might prefer to delegate this role to one of their advisers who, as well as being a specialist, is generally trusted by the family.

These individual and most trusted advisers are often described as a

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species of specialists who possess soft skills that enable them to develop strong personal relationships with the owners and leaders who are currently in power. It is true that business families often seek advice when emotions resulting from anxiety about a particular situation, or the future in general, become sufficient to prompt action; and in such situations, soft skills or emotional intelligence will be very useful for the adviser and helpful to the family. However, do soft skills plus a specialism explain everything about the role of a trusted adviser?

In order to be seen to offer more, an adviser might be tempted to tell the family business client about best practices in relation to how to organise its business and family life. Indeed, the terms 'trusted adviser' and 'best practice' are often found in close proximity, as though one of the tests of a trusted adviser is being someone who can be trusted to know what is best for the family and its business.

The description of a trusted adviser could therefore be a specialist who possesses soft skills to a degree absent in other advisers and who can be trusted to recommend some best practices for the family and its business. These advisers also help to pull together the advice from other specialists, who presumably have to come to terms with being a sub-species of less trusted adviser.

However, there are problems with the individual trusted adviser as a business model:

- It puts a lot of power in one adviser's hands, which some families will dislike. This power is reflected in the term 'gatekeeper' which is used as a synonym for the trusted adviser, whom the family and other advisers must pass through in order to meet and work together.
- If trusted adviser status is based on strong personal relationships with those in the family and the business who are currently in power, it implies that becoming a trusted adviser involves growing old with the generation that currently controls the business.
- The trusted adviser is thus likely to be of an older age and to be more aligned to the senior generation in a family business than to the next generation, which might not be liked by the latter.
- This creates succession problems for the adviser, his or her host organisation and the family business. It makes it difficult to train younger advisers to become trusted early in their careers, which makes it more challenging for them to take over this role when they become older.

The model of the individual trusted adviser in truth is not much use for building sustainable trust relationships that can transcend the generational changes that will happen in every family business and in the adviser's business. The focus on an individual relationship also obscures powerful elements in the decision by a family business and an adviser to trust each other. Economic necessity and competence will have an impact on the relationship. Trust will also be affected by the role of organisations, rather than individuals, and especially the ways in which they market or promote their desire to be perceived as trusted advisers.

Persisting with the idea of an individual trusted adviser seems to be trying to move the relationship between advisers and family businesses forward by looking backwards – nostalgically, perhaps – to the era of the major-domo or general practitioner, adapted to take account of the current dominance of specialisms. Reaching for best practices does not do much to improve this model, as these are often excessive generalisations from selected examples that reduce complex family businesses to facile slogans that are then falsely presented as universal laws.

To move forward in an era when every adviser is a specialist, it is necessary to explore an alternative to the individual trusted adviser. This special report describes how the trusted adviser for a family business could be a high-performing, inter-disciplinary advisory team, probably from different organisations, with demonstrably effective processes for looking after an entire family and its business interests. The members of this team are committed to helping the family achieve whatever success means for it, in terms of both family and business life; and as in a true team, the individual reward for each adviser is to some extent dependent on the other team members.

This level of commitment to the team and the family business is greater than the type of advisory team that already exists, where a multi-disciplinary group of specialists form a team out of necessity in order to execute a particular transaction. In this type of team there is a minimum of interdependence among specialists beyond where their technical worlds overlap or collide.

High-performance teams are used in several areas of commerce, sports, science and the arts, so why not among advisers who serve family businesses? The immediate response is likely to be, “It will not be easy”; or even more assertively, “It will never work.” These reactions are based on the view that it would be too challenging for a group of ambitious, self-motivated advisers with different specialisms from separate organisations to come together and form a high-performing team. However, the inter-disciplinary team model is about progress and progress is never easy. Also, surely moving forward towards this

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model is likely to be no more difficult than trying to execute the awkward manoeuvre of moving forwards by looking backwards and endeavouring to adapt the major-domo model after years of advisers focusing on specialisms?

But the main argument in favour of the high-performing advisory team must be presented from the perspective of family businesses, rather than whether it is convenient for advisers. Surely it is reasonable for family businesses to be able to invest their trust in a team of specialists who can show the family how they will collaborate and who can each contribute expertise in service of whatever version of success the family is striving to achieve?

This special report has four overall aims:

- Unpack the notion of trust to identify the effect of different elements on the relationship between a family business and its advisers;
- Debunk the view that the trusted adviser to a family business is an individual specialist who possesses some soft skills and can confidently espouse so-called 'best practices';
- Look at how different answers to the deceptively simple question, "Who do you trust?" affect the relationships between a family business and their advisers; and
- Suggest how the idea of a trusted team of advisers for a family business could work in practice, including having a new type of family business advisers' constitution.

This Introduction is from *Creating the Trusted Family Team of Advisers for a Family Business* by Ken McCracken, published by Globe Law and Business.