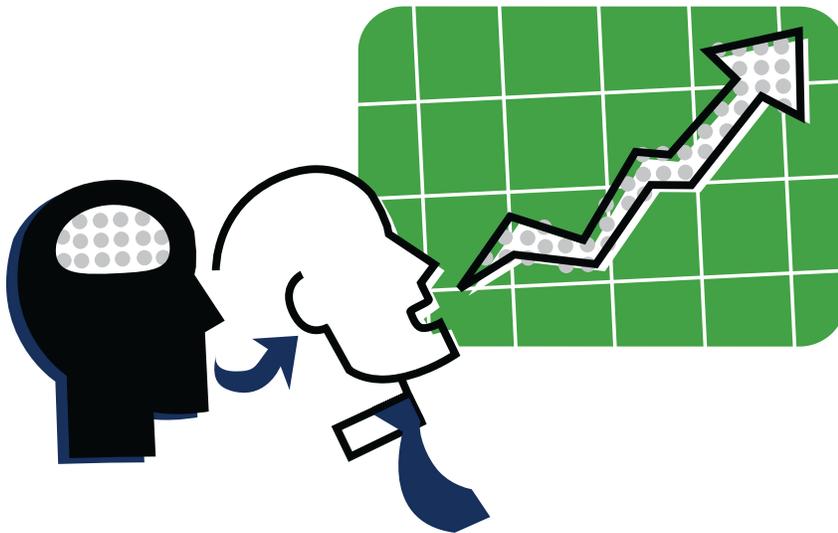


Trusted advisers build business success

by Vanessa M. Strike

The role of the trusted and most loyal adviser has been a crucial one to family concerns throughout the ages. During the Korean Joseon Dynasty, Kim Cheo-Seon, a eunuch, advised successive kings wisely. Sir Francis Walsingham, Principal Secretary to Queen Elizabeth I of England, is remembered still by history as a powerful adviser unwavering in his loyalty to the throne. Popular culture portrayed the role dramatically in the film *The Godfather* in which the character Tom Hagen serves as consigliere to the Corleone family's underworld empire.



Many family-controlled firms (FCFs) benefit from the professional and personal advice of someone outside of the family. That person, through a mix of trust, integrity, respect and experience, is accepted within the family's inner circle and becomes their

most confidential adviser and counsellor. It is a role I have designated as the *Most Trusted Adviser* (MTA).

The MTA differs from other types of advice provider. There is often a hidden role that many people do not know exists. The MTA is privy to the most

confidential of information pertaining to both the family and the business. I use the term to refer to someone who usually advises to one family only on both business and family matters, and who is often employed full-time by that family.

But why is this of interest? Family-controlled firms are the dominant organisational structure in the world. Estimates of their economic impact vary depending on the definition used. However, researchers agree that these businesses have a significant impact on economies all over the world. Obviously then, the role of the MTAs and their importance in guiding significant numbers of businesses to success is enormous.

In starting out the study, it seemed logical to begin with the basics and identify who this person was, what they do, and what value they brought to the family business in their role as adviser. As straightforward as those goals might seem, right from the outset there was great difficulty in getting access to these people. Not only are most family businesses very private by their very nature, but also the identity of the MTA is not usually known outside of the family circle. This is further blurred, as the role of MTA is not explicit: these people do not have an office inside the firm with their job title on the door. Although not every FCF has this type ▶

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of adviser, whether through choice or lack of opportunity, the number that do is surprising, especially among larger family businesses.

The FCFs in this study came from Canada. The firms ranged from 30 years to over 100 years old and they operate in six different industries: transportation, telecommunications, investment management, packaging life sciences, and multi-industry. To give a sense of scale, the businesses ranged from quite small in terms of employee numbers, but with considerable assets, to multinational enterprises that rank among the biggest in the world.

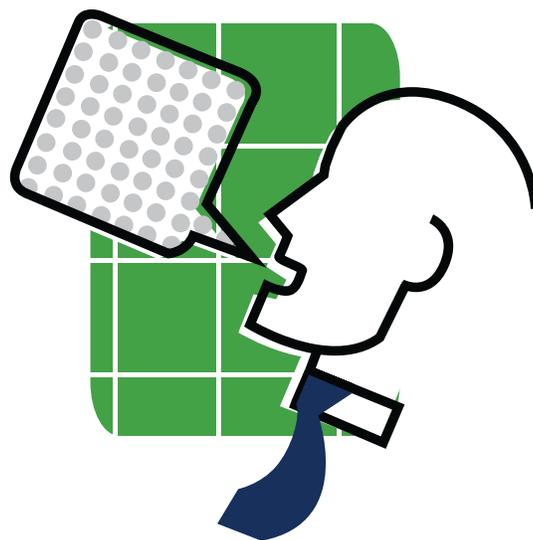
An essential ability of the MTA is to be able to *capture the attention* of the decision maker. This is achieved through qualities I have determined as *Voice* and *Weight*. *Voice* can be defined as a relational characteristic that has several qualities associated with it. For example, the MTA places the interests of the family above their own: a strong sense of integrity – being true to one's own values – is essential for an MTA, as is absolute trustworthiness and self-awareness. *Weight* relates to competencies based on the breadth and depth of the MTA's experience and gives the MTA legitimacy and 'the right to be heard'.

It is interesting to note that the majority of MTAs are tax lawyers or tax

accountants. In part, this stems from their professional training, which teaches them the crucial questions to ask to quickly get to the heart of business issues – an immensely practical ability for a confidant to have.

In addition, the tax lawyer or tax accountant is entrusted with the most intimate financial details of both the business and family. This provides the MTA with a unique understanding of how the organisation is functioning and its possibilities as a going concern. Having an intimate knowledge of family-specific financial arrangements, such as wills, deeds, and investments, places them in a very unique position to understand the relationship between the business and the family.

When capturing the attention of the business owner a process of *attention influencing* takes place. A critical part of influencing attention is *decision bias to others* – this requires the MTA to follow the family leader in decisions even though they may not agree with the choices being made. Loyal, the MTA will provide unwavering support and advise on pitfalls that might await. Even when the MTA's advice is not taken, rather than damaging their standing, evidence suggests that accepting and committing to a decision with which they may not necessarily agree further strengthens their position.



Mindful governance

By capturing the attention of the decision-maker, and with the qualities of *Voice* and *Weight*, MTAs enable an environment of *Mindful Governance*. This can be described as an increased awareness of the thoughts, actions and motives of the decision making process and the methods by which those decisions are implemented or not implemented.

This can be seen through two aspects: *crafting more encompassing decisions* and *collective direction*. The first reflects how the guidance offered gives reason for the decision-maker to stop and reflect upon an impending action. Consequently, and because of the insights or advice the MTA has proffered, a better decision is reached.

MTAs also help the heads of family-owned firms to understand the greater implications of a decision. This is particularly important as strong business leaders and entrepreneurial types have a tendency to make decisions very quickly. They tend to not necessarily see the broader ramifications of a course of action, for example, the effect it may have on family members.

Collective direction, the second aspect of Mindful Governance, has an effect in respect to collective decision-

structures, and so should prove useful to family-owned ventures and decision makers at all levels of business.

Key findings

One of the key findings to come out of this study is that the process of advice giving, as opposed to the advice itself, is what really matters. Having the character qualities, the Weight and Voice, are prerequisites for the role of MTA; otherwise the ability to capture attention and influence will not exist.

“Succession in family businesses is another area where the MTA can prove invaluable.”

making within the family business, and particularly so when more than one generation of family members is active in the firm. The key lesson being that together they stand, divided they fall. Again, it is because the MTA has the Voice and the Weight that they command the respect of all members of the family and so can help in collective direction setting.

The conceptual model of Mindful Governance presented in the full research paper upon which this article is based offers insights and implications into how FCFs may establish more effective and efficient governance

The findings also offer a different view from that given by other management research into the role of advisers generally. Typically, a manager providing advice to a senior executive may lose significant credibility if that advice doesn't work out. Not so with the MTA, who can instead expect their standing within the inner circle of the family owned business to be strengthened even further. MTAs are in a unique position of trust. They know everything about the family and are in a position to take advantage of that information if they so wished. However, they do not and instead use their

privileged position to help the family, to provide checks and balances against every decision or speculated action.

Not all business owners want someone to fit the role of MTA, and some are just not open to having a person in that role. For it to happen, there must be a suitable environment to begin with. Owners of FCFs must be open to input from people outside of the family's business circle. The same is true where siblings are involved in the business. Siblings have to be as open and as willing to listen to the advice of the adviser just as much as the business founder or owner is. Succession in family businesses is another area where the MTA can prove invaluable, especially where there are several siblings in the firm.

The MTA helps make more issues and answers available to the decision-maker; they question assumptions and norms and encourage the decision-maker to craft encompassing decisions. They also help manage family dynamics and the interrelations between group members, assisting members to understand their respective roles and interactions, resulting in collective direction. ■

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