FAMILY BUSINESS ENGAGEMENT

ALAN REDDROP
MA (Cantab.), FCSA, FCIS, FEI

School of Management
Division of Business
University of South Australia
June, 2012

A thesis submitted in fulfilment of the requirement of the degree of Doctor of Philosophy

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ABBREVIATIONS

ABS	Australian Bureau of Statistics
BEC	Business Enterprise Centre
CEO	Chief executive officer
CPA	CPA Australia
EC	European Commission
EI	Emotional intelligence
EU	European Union
FBA	Family Business Australia
FBA-SA	Family Business Australia – South Australian chapter
FFI	Family Firm Institute
GST	Goods and services tax
ICAA	Institute of Chartered Accountants in Australia
RDB	Regional Development Board
SME	Small and medium sized business
TEC	The Executive Connection

BRIEF SUMMARY

This research examines observed reluctance among family business people to seek external advice on family business challenges. Family businesses, the most prevalent business entity, while often profitable are vulnerable, particularly to closure at the time of transfer from one generation to the next. Closure of family businesses has adverse consequences for the economy and community, a matter or critical relevance when, as now, a large number of owners are retiring.

The research investigates what are the factors that drive and impede the uptake of external advice by family businesses; how advice might become more accessible and appear more relevant; and what public policy implications this gives rise to**.** It contributes to relevant theory. Institutional theory is drawn upon but the irrational behaviour of actors observed by some previous researchers was not found. Insights relating to theories of both trust and of knowledge creation are also offered. The research employs chiefly qualitative methods through semi-structured interviews of family business chief executives and advisers, on a foundation of data supplied by a prior quantitative email survey.

The need for external advice is found to be universal. Its use is greater than assumed, mainly because the extent of peer advice was not fully appreciated. Networking is extensive – and beneficial, the 'un-networked' suffering disadvantage. It takes many forms, formal and informal. Certain formal networks are found to be very effective, particularly as a means of drawing out and deploying tacit knowledge. Findings permit some new insights into knowledge creation. Nonetheless, some entrepreneurs are found to be psychologically resistant to advice-taking: these are aberrant rather than general as Kets de Vries's studies *passim* might suggest.

While cost and uncertainty as to its location deter engagement of professional advice, particularly among smaller family businesses, there exists widespread dissatisfaction among family business CEOs about competence in the 'soft' skills of some advisers and would-be advisers, failure to listen being frequently cited. This raises important questions about adviser skills formation, including that available to accountants, by far the advisers most consulted. Some advisers performing impressively, have, fortuitously, benefitted from coaching of a kind commended by Schön (1987, 1990) which derives from their coach's 'reflection-in-action' rather than from formal tertiary instruction. Further work is required on how this is to be provided systematically rather than haphazardly.

Trust is found to be a necessary ingredient in decisions to engage advisers. Previous researchers maintain that this is a slow-maturing commodity. By contrast, this research discloses its widespread instant acquisition through references and testimonials from previous clients, termed in the research, 'vicarious' trust. Once

engaged, advisers' technical knowledge is assumed, possession of maturity, empathy and listening skills is the discriminant of successful practice.

Research participants saw government as a legitimate provider of information, but expectations of more active involvement were unexpectedly slight. Nevertheless, newer and smaller firms extolled the benefits received from agencies like Business Enterprise Centres.

DECLARATION

I declare that this thesis presents work carried out by me and does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge it does not contain any materials previously published or written by another person except where due reference is made in the text; and all substantive contributions by others to the work presented, including jointly authored publications, is clearly acknowledged.

Alan Reddrop Date

ACKNOWLEDGMENTS

My research, and my enjoyment in undertaking it, have benefited to an extent beyond my power of expression from the advice and encouragement of my principal supervisor, Dr Gido Mapunda of the School of Management, University of South Australia, and my adjunct supervisor, Albert Jan Thomassen, lately of TiasNimbas, the business school of Tilburg University and Eindhoven University of Technology, and international family business teacher, adviser and researcher. I gained from the inspiration and the friendship of Dr Dennis Jaffe, Professor of Organisational Systems at Saybrook Graduate School, San Francisco, especially while Adelaide family business Thinker in Residence.

I value the distinctive contribution of Paul Mabarrack, family business owner, family business adviser, non-family general manager of a family business, and sage. Phil Dewing, family business adviser and exemplar, helped set me on the path that I was to follow. Richard Owens, then chairman of Family Business Australia, provided much valued encouragement at the outset.

I am grateful to the family business people and advisers who agreed to be interviewed and became, in effect, my fellow researchers; also to all those who responded to the email questionnaire; also to those, managers of Business Enterprise Centres and of Regional Development Boards and Heather Dowling, executive officer of Family Business Australia (SA), who kindly sent out my questionnaire to those on their databases and encouraged recipients to respond to it. I thank Chris Johnston, chairman of a family business, who ensured the questionnaire was intelligible and who offered wise advice in many other matters.

I acknowledge the work of Elise Ruthenbeck, thesis editor, in helping to clarify expression and to achieve consistency in citations.

My work was conducted in the most congenial – and collegiate – environment of the University of South Australia School of Management, whose members, teachers, learners and librarians alike, I warmly thank.

Finally, I have benefited from the support of my wife, Hilary.

ABSTRACT

This research is concerned with an apparent reluctance among family businesses to engage external advice on challenges they confront to the extent that would be beneficial to them. Family businesses, the most prevalent form of business entity, though profitable compared with non family businesses, are vulnerable to closure, particularly at the time of transfer to another generation. Widespread closure would mean substantial losses to community and economy. The matter is topical since a large number of owners and chief executives are retiring along with their baby boomer contemporaries.

I found no previous systematic attempt to address the question of engagement. In investigating it, my previous work as a family business adviser in government provided relevant experience and access to informants among the family business community.

The initial research aims were to discover **the factors that drive and impede the uptake of external advice by family businesses; how advice might become more accessible and appear more relevant; and public policy implications this gives rise to.** It aimed to contribute to relevant theory.

These aims were refined in the light of a review of the relevant empirical literature, which identified important gaps in information, and relevant theory. The review covered the limited literature on family businesses and external advice, and more plentiful material on SMEs which has some value as a proxy for family businesses. Of relevance were institutional theory, theories of social capital, and those concerning trust. Certain theories concerning knowledge creation were drawn upon as empirical research progressed

My main method was qualitative. Semi-structured interviews were conducted with fifty-one family business CEOs, other members of family businesses and advisers ('participants'). But because of the scarcity of statistical data in the field, the interviews were preceded by an emailed quantitative survey of CEOs to map out the landscape. The 140 usable replies from 'respondents' were also used to help frame subsequent questions to CEOs interviewed and to locate many willing to be interviewed.

The survey was analysed using SPSS for Windows, a computer based software program. Transcribed interview material was coded and through iteration between data collection and analysis, concepts, themes and propositional theory were built up. Analysis was assisted by a method of my own devising using standard facilities available on Word for Windows.

The use of external advice in helping family businesses to meet challenges confronted was found to be greater than initially supposed. This was largely because the extent of peer advice had been insufficiently appreciated. The need for external advice was found to be universal across sectors and sizes and whether or not conflict was apparent within the business. Chief deterrents to its engagement were cost, particularly among smaller businesses, and uncertainty as to where to obtain advice. Reluctance to confront mortality and hence engage in succession planning emerged in several interviews. Furthermore, there is a type of entrepreneur who is psychologically resistant, 'impervious' to any advice. My findings were that they were aberrant rather than general as Kets de Vries *passim* implies. While advice taken was usually thought beneficial and acted upon by its recipients, clients reported serious shortcomings among some professional advisers and would-be advisers. Technical deficiencies were not the issue; rather poor understanding of family and family business people's motivations and values, inability or disinclination to listen and absence of empathy. The competence of accountants (the advisers most employed by far) was reported to be as variable as that of advisers generally, some, however, achieving the summit of performance, did exhibit both human and technical skills. Most accountants interviewed and reported upon were ready to recognise the limits of their areas of competence and when reached to recommend engagement of appropriate specialists.

Maturity and empathy were seen as necessary attributes for advisers to attain excellence. The best advisers typically underwent skills training by an experienced senior. In this process, termed 'shadowing' by one experienced adviser, the **art** of advising was being conveyed in a process explored and commended by Donald Schön (!987, 1981) akin to that practised in the 'deviant' disciplines of music (in the master class) or architecture (in the studio). Thereafter, competence was increased through a process termed by Schön 'reflection-in-action'. However, too few advisers undergo these processes. Reasons for this should be studied by tertiary and professional institutions.

Trust in the intended advisers was the strongest prompt to engage them, as has been reported in previous academic studies. While these studies portray trust as 'slow maturing' and 'the product of repeated interactions', my research showed it was often transmitted instantly through the references of previous users, through what I term, 'vicarious' trust. Retaining trust, once offered, was found, as described by Maister et al (2000), to depend on the attributes of credibility, reliability, intimacy (strongly) and also attentiveness.

Aspects of institutional theory in the **organisational** (business) field were validated. Emphasis on the relational and emotional nature of family business motivations, proved a useful corrective to the dominant agency theory that emphasises economic self-interest. However, a pejorative aspect within institutional theory that

characterised business behaviour as 'habitual, unreflective and socially defined' was not observed. Nor was a previously described influence of 'founder's shadow' said to constrain successors' attitudes including those towards advice-taking. In the **interorganisational** field (between firms) the theory usefully identified mimetic influences at work, but not isomorphic. That is, in seeking advice from industry leaders, CEOs interpreted and applied it in the light of their own contexts, leading to different outcomes.

Family business people do seek and gain peer advice through active networking. Those that do not network are at a disadvantage. Informal networks took a multiplicity of forms which were not possible to evaluate. Formal networks, however, such as Family Business Forums were found to be capable of providing great value. Insights into this potential quality were provided by Nonaka *(passim*) who reveals that through dialogue hitherto tacit knowledge of which the possessor may be unaware can be 'mobilised' to serve fellow members. A contribution of the present research is to show that the theory is applicable not only in permanent organisations but also in the circumstance of a periodic coming-together of diverse individuals exemplified by the Family Business Forum. This permits a useful extension of the concept of '*ba'* (a knowledge-creating place). The theory is akin to ideas about 'learning communities', as expounded by Jaffe, in which 'each member is a resource to all the others'. It prompted the creation of a 'Community of Elders', those who move from exclusive concern with their own businesses to offer themselves as a resource serving other family business people confronting issues. The current research helped support the case for the creation of such a Community.

Government has a role in increasing awareness of issues that family businesses face and in advising where specialist advice may be found. South Australia's Business Enterprise Centres and Regional Development Boards aspire to do that, though their present reach may be insufficient, and a small number of smaller, newer businesses researched have benefited. Participants in the study did not indicate a need for new forms of intervention by government. However, this research, like other directed at family business, would have been assisted by the provision of statistics about the sector.

To sum up, aside from the relatively few psychologically resistant, family business people can be deterred from seeking professional advice by cost and uncertainty as to its location. When engaged, the principal impellent is trust, of which vicarious trust (a concept introduced in the thesis) is the commonest kind. Through networks, they gain widely from peer advice. Advice can become more accessible through the activities of government agencies like Business Enterprise Centres, also from the intermediation of the accountants which businesses widely employ. The research found that more than 'accessible', professional advice needed just to be consistently better. Some professionals have found a potent formula for successful skills

foundation: coaching of a kind consonant with the theories of Schön, and a wider adoption of which lies partly in the hands of the professional institutions. The research has been enriched by application of institutional theory, theories regarding trust and knowledge creation, which in turn have been extended or modified.

FOREWORD

As family business adviser in the South Australian state government, I was often made aware of an apparent reluctance by family businesses to seek and take external advice on family business issues to the extent that would be beneficial for them. Availability of advice was not in question, although awareness of it might have been. In 2002 I had assisted colleagues in forming an Advisers' Group in South Australia, later affiliated to Family Business Australia (FBA), the body representing family businesses in Australia. The Group brought together consultants from a number of disciplines for mutual education and collaboration and to promote their services.

Examples of beneficial outcomes of advice were plentiful. Representative cases are those of the 'Crofts' and the 'Danvers', described in Section 4.5 of Chapter 4.

The impression of reluctance accorded with the literature I was then familiar with. And even if it were not prevalent the human consequences in observed individual cases of a refusal to be 'advised' were such as to invite deeper study.

Beside the intellectual curiosity that prompted a search for understanding the issues, cases such as that of the 'Kovacs' (see Chapter 1 Box 1.1) awoke a strong desire to try and 'do something about them'.

In researching the area, I believed I enjoyed some advantages. These included the involvements I have referred to. This provided not only experiential knowledge of the issues but a multiplicity of contacts, useful for gaining access to family businesses, 'always difficult' (Ward, J 1987); 'almost impossible without an introduction' (Syme 1999). Previous involvement also secured the co-operation of former colleagues in government and its agencies. My contacts also offered the use of databases, in particular for the planned email survey: offers that were made good. This was invaluable in a field poorly provided with statistical information. Family business practitioners, too, were highly supportive of the study.

I embarked on the research with hopes of helping to bring about changes in the real world. In doing so I believed an experience-based body of knowledge conferred advantages. But there could be pitfalls: a temptation to tell and to reinforce my own story. Aware of this danger I consciously strove to assume the mantle of open-minded researcher. And if I were to seek confirmation of my success in doing so, it would lie in the arrival at findings that were of great surprise to me – and which I admit to in the body of the thesis.

CHAPTER 1 INTRODUCTION

1.1 The purpose of the research

This thesis is about 'engagement', meaning the engaging of external advice by family businesses in meeting and overcoming challenges distinctive to family businesses. It addresses an apparent reluctance of family business people to seek available external advice to the extent that would be beneficial to them.

> *Haven't you [a consultant] ever been out there on the road trying to get in to see a business and just been shut out and not known why? The answer is: they're a family business – they solve all their own problems, they don't use people like you:*
> Craig E Aronoff, co-founder and principal of The Family Business Consulting Group (Astrachan, J 1996).

Family business is the most prevalent business system in Australia as in much of the rest of the world. While the profitability of family businesses has been shown to be on a par with or exceeding that of nonfamily businesses, they are vulnerable, particularly at the time of intended transfer from one generation to the next. This thesis will identify critical times at which family businesses are vulnerable and especially likely to benefit from external advice. They occur particularly at times of critical challenge, eg, at succession, business exit, divorce or serious shareholder discord, and may be met only once in a lifetime. Consequently, opportunities for 'learning by doing' are limited. In the matter of succession, a crucial issue for many family businesses, all the experience gathered by an entrepreneur in developing and managing the company is no guarantee that he/she will know how to transfer it. And having met (or succumbed to) the challenge, it is uncertain that the incumbent owner will pass on the knowledge to successors.

The issue is of particular contemporary significance because of the imminent retirement of a large proportion of family business owners, placing the businesses in jeopardy if there is failure to transfer them.

My field of study is the issues that confront family businesses and the use of external advice in them. The primary literature on the use and the value of external advice to family businesses, appears to be neither extensive nor systematic. This constitutes a research gap. Negative evidence for this contention is supplied by scholars Chittoor and Das (2007) and Miller and Le Breton Miller (2006) who in much-cited works undertook a detailed analyses of the multiple constructs or variables associated with the achievement of effective succession, being the archetype family business issue. Among the forty variables, use of external advice was neither present nor implied. The gap is only partially or tangentially filled by the more extensive research concerned with advice to small and medium sized businesses (SMEs). This secondary literature will be investigated insofar as it can serve as a proxy for family businesses.

My empirical research centres on South Australia for practical reasons explained in Section 1.3 below.

One may speculate on the reasons for not seeking external advice. There may be lack of awareness of existing or potential problems in the family business. Family business owners or managers may recognise problems but believe them to be unique to their own business and not amenable to the benefit of outside experience. They may be unaware that relevant skills have been developed in overcoming such problems, both among a growing cadre of family business advisers and among peers who have successfully met the same challenges. They may be reticent about sharing what they regard as private matters with outsiders.

Some family business entrepreneurs may be so confident in their own abilities that their minds are closed to the possibility of benefiting from the knowledge and experience of others. There is rich literature on such individuals, notably that of Manfred Kets de Vries and co-authors (1996a, 1996b, 1997, 2007). A powerful motivator of my own research was the encounter with such an entrepreneur (one of a number), related in Box 1.1 (names and other identifying details have been changed).

Family business people may desire external advice without knowing where to locate it. Or they may be deterred by the cost of professional advice, or by the psychological 'cost' of admitting to some inability.

They may be subject to none of the above unawareness or deterrents, but be discouraged from taking advice by the real or perceived incompetence of advisers whom they have encountered.

Box 1.1. A vignette: the case of Anton Kovacs

Kovacs Engineering is a precision engineering company located in the south-east of South Australia. It was founded over forty years ago by Anton who migrated in his thirties from the former state of Yugoslavia.

I visited his company in November 2006 at the prompting of a colleague in the South Australian public service who believed it had potential that was not being realised, and that I could assist.

I was met by a brother, Peter and sister, Barbara, in their mid to late thirties and after the courtesies taken with obvious nervousness to see their father, now in his late seventies, founder, sole proprietor, freeholder and, as termed by his children, tyrant. He showed me round shop after shop full of mainly very new plant, centre borers, milling machines, lathes, all CNC, worth, I estimated, many tens of millions of dollars. He talked boastfully, aggressively, incessantly, and I learnt later from his children that this is what he subjected unwary customers to for as long as they were prepared to stay around. He effectively deterred most business and frustrated the remainder by constant and reckless attempts at control.

The equipment was largely unused as orders had declined, as had employees from a peak of forty the current three.

Peter and Barbara had worked for the company all their working lives – and before while still at school and university. They were poorly paid. Their father had exercised an oppressive domination since their childhood from which there seemed no escape. If they left the business it would fail, so they remained, less from the wish to preserve a deserved inheritance (the contents of any will Anton had made were unknown to them), more out of a sense of unavoidable duty. Their lives were made tolerable by the strong bond between them and by their ability to find humour in their father's behaviour.

Anton was totally resistant to taking any external advice, even from the company's accountant. He had succeeded in his earlier years through his ability as craftsman and entrepreneur and, according to his children, a large measure of luck. He believed in his own judgment and distrusted all others'.

I concluded that neither I nor anyone else could improve the company's fortunes ahead of Anton's death or complete disability.

I met the siblings four years later in the pursuit of my research. Things were, 'just the same, only worse'. Anton had been paralysed by a stroke from which he had unexpectedly recovered. He had had no more interest in his doctors' advice and prognoses than that of anyone else who had attempted to advise him.

1.2 Rationale for the research

1.2.1 Family business defined

Definitions are discussed in some detail section 2.3 in the next chapter. I have chosen a simple and pragmatic version which combines texts in Jaffe (1997, p. 27 and 2008, p. 11):

> *a family business is one where two or more family members work in the business and/or share or expect to share ownership and want to pass ownership on to the next generation.*

Other definitions offer greater precision (and many more words), essential for the preparation of statistics, for example, but which is not necessary for the purposes of this research.

1.2.2 The significance of family businesses

Family businesses are the most prevalent form of business entity, in Australia as elsewhere (Cappuyns, Astrachan & Klein 2003). Evolutionary psychology offers reasons why this should be so:

> *Many of their [family business] forms are more congruent with the human design than nonfamily firms… Arguably it is the primary economic unit in the history of the species (Nicholson, N 2008, p.106).*

Virtually all economic endeavours start out as family business, observes Fukuyama (1995).

While there is a concentration of family businesses in the smaller ranges they are also well represented among the largest companies in their respective countries. For example, family businesses make up 35% of the S&P 500 (University of Southern Maine, cited by McCann, 2007 p IX). In Western Europe, South and East Asia, the Middle East, Latin America, and Africa, the vast majority of publicly traded firms are family controlled (Burkart, Panunzi & Shleifer 2003).

Family businesses and their owners control substantial wealth. This was estimated at $4.3 trillion in Australia in 2006 (Smyrnios & Dana 2006). Some research indicates that family businesses are at least as profitable as companies generally. For instance, a Business Review Weekly study found a significant sample of Australian listed family businesses' return on investment was three times greater than the All Ordinary Accumulation Index (Ferguson 1998). A family business index constructed by Manchester Business School indicated outperformance by 40% compared with the FTSE All-Share index (Poutziouris 2006). And quoted US family firms were found to outperform their S&P counterparts (Anderson, R & Reeb 2003).

1.2.3 Distinctive issues affecting family businesses

The study of family businesses is an accepted and respected field of inquiry. This reflected by *Family Business Review's* inclusion among the top twenty international management journals. Sharma (2004) has observed that the subject had also emerged in mainstream journals such as *Academy of Management Review, Journal of Finance* and *Organizational Science.* Chrisman et al (2010, p.10) found that between them four journals *Entrepreneurship Theory & Practice, Family Business Review, Journal of Business Venturing,* and *Journal of Small Business Management* had between them published 182 family business articles in the preceding six years. Craig and Salvato (2012, p.109) conclude, 'Put bluntly, there is no need to waste more time defending the field's bonafides'.

The Association of Advance Collegiate Schools of Business had recognised nearly fifty accredited schools in the USA with family business programs. Sharma also noted that Aronoff and Ward (1995) had reported that more than seventy universities, including leading schools such as Harvard, North Western and Notre Dame as having active family business programs. Family business 'centers and related organizations' in the USA number 110 (Sharma et al. 2007).

Issues that challenge family businesses are discussed in Section 2.4. For the purpose of this study family business issues are those that have a bearing on family business transitions, conflict and survival. They embrace the wellbeing of both family and business. They involve the technical (trusts, wills, taxation, etc) but transcend it, raising questions of relationships, requiring understanding of the culture of the family as well as discernment of what will gain the assent and ownership of its members. A simplified list of these issues appears in the email questionnaire to CEOs (see Appendix A).

Family businesses have 'unique issues' (Craig & Moores 2010, p.171). They include: the need for business owners to make succession, strategic, personal financial and family plans; the need to make business goals harmonize with family objectives, philosophies and values; in many cases to satisfy shareholder demands for liquidity; or to finance ownership and management succession without relinquishing family control. There is 'profound impact of family values, history and attitudes on the workings of the business' (Aronoff & Ward, 1994, p 26).

The complexity of family business issues is recognised by the Family Firm Institute (FFI), the principal international professional membership and educational organisation for advisers: their education programs respond to practitioners' need for an integration of insights from a variety of disciplines: law, finance, management science and behavioural science.

1.2.4 The vulnerability of family businesses

Ward (1987, p.xxiv) found that 'fewer than 30% of successful family businesses make it to a third generation and fewer than 15% make it through that generation'. Smyrnios and Walker (2003, p.14) supply a variant based on (unspecified) earlier sources that about 32% make it to a second generation and less than 50% of these make it to a third. Stamm and Lubinski (2011) observe that such figures have become widely quoted, a 'universal law', without resort to empirical evidence, other than Ward's and in a 1983 study by Beckhard and Dyer. Ward's related to a specific context (stated by him) which Stamm and Lubinski argue is unlikely to be universally applicable. Stamm and Lubinki conduct their own demographic survey which differs somewhat from Ward's. But they do not challenge the underlying proposition that family businesses are vulnerable, particularly at times of succession or transfer. Not all the 'failures' to survive are unintended, but Smyrnios and Walker's (2003) study establishes that desired succession is often frustrated. Attributable causes include lack of succession planning. While 82% of owners surveyed claimed to regard succession and retirement planning as important, only 22.7% reported having documented succession plans for the future management of the enterprise (Smyrnios & Walker, 2003, p. 25). Moreover, their findings demonstrated that only 25% of owners said that they had sought external advice in the succession process (Smyrnios & Walker, 2003, p.27). Owners' reluctance to let go and to prepare for retirement was also seen as a weakness: while 67% intended to retire within the following ten years, very few were planning for the event (p. 29).

1.2.5 The costs of closure of family businesses

The costs of business closure generally are difficult to compute precisely and there is 'surprisingly little known about the economic and wider of family business closure' Spoehr (2005, p.36). But by analogy with the effects of major business closure and with the benefit of case studies, Spoehr identified as possible penalties: employment losses, losses to suppliers, financial losses, taxation losses, losses in relation to customers, of intellectual property, and of business efficiency related to the establishment of trust and 'social capital'. While the proceeds of sale of business assets may be reinvested, 'they are likely to have fewer direct and indirect economic and employment spin-offs' (p.36). The magnitude of the losses, particularly in employment, would be mediated by the state of the economy at the time. But they would be exacerbated if a large number of family businesses were to close or be placed on the market simultaneously. This could reduce the returns that owners obtained from sale if the supply of businesses for sale outpaced demand. A further risk would be that businesses failed to find a buyer as a going concern with higher losses of employment, intellectual property, the commercial structure of customers

and suppliers and tax revenue. Addressing this same issue, the European Commission (2006, p. 31), said:

> *When businesses fail only because of problems in the transfer phase economic capital such as knowledge, established contacts and other intangible assets is destroyed, jobs are lost and economic growth is reduced.*

This consideration is topical. Demographics ordain that baby boomers representing a large number of family business owners will retire or die in forthcoming years inducing transfer (or closure) of their businesses. Many broadly consistent estimates have been made of the extent of transfer. According to Smyrnios & Dana, writing in 2006, 81% of Australian family business owners planned to retire by 2016. Spoehr (2005) estimated that that nearly half of all family business owners were intending to sell their businesses within the following ten years.

1.2.6 Perceived need for external advice

In its website, FBA states as its objective: 'improving the effectiveness of Australian families in business through the sharing of practical experience and knowledge'(Family Business Australia 2008, http://www.fambiz.com.au/?content=aboutus, downloaded January 2009). The need for knowledge transfer is strongly affirmed by the organisation's leaders. As argued above, family business owners may be singularly in need of external advice since many critical challenges are usually encountered only once in a lifetime. There is therefore rarely an opportunity to learn by doing. If those meeting (or succumbing to) the challenge retire, they do not ordinarily pass on their experience. Recurrent issues can partake of a complexity peculiar to family businesses.

But Aronoff & Ward (1994, p 9), academics and practitioners recognised worldwide in the family business field, assert that, 'few business owners use professional advisers wisely' and quote from a survey of family business owners (Massachusetts Mutual Life Insurance Co. 1993) which indicates that nearly one-third of family businesses had no trusted adviser outside the family.

1.2.7 Availability of advice

Family business challenges, even if thought to be unique by those they confront, conform to types which are encountered time and again. In the last thirty years (fewer in Australia) there has grown up a body of knowledge on ways these challenges have successfully been met. In South Australia a cadre of family business advisers, the Family Business Advisers' Group, who are intent on the cultivation of skills in this area, has emerged. They have helped family businesspeople and in many cases appear to have attained high skills. Such skills are being formalised

through accreditation by FBA employing criteria developed by the Family Firm Institute (FFI), the international membership association of professionals serving family businesses. The quality and consistency of the available skills is for examination, as are the ways in which these skills are best formed (section 4.10.4). Fruitful indications are provided by Schön (1987) who emphasises the importance of learning through practice rather than absorption of university-derived precept.

In Australia, as in other countries, peer advice is accessible. Support groups have been formed, affording their members opportunities to learn from their fellows as well as from experts. These and other networks are discussed in Section 4.11.

1.2.8 Is advice underutilised?

The potential for family business owners to benefit from advisers' skill and experience appears greater than that ostensibly called upon. FBA is able to offer advice but its membership in South Australia is currently about 350 – out of a family business population estimated at 50,000. So while its usefulness and relevance to family businesses is beyond doubt (it has conducted evaluations of its activities and events and participants consistently scored them highly or very highly (analyses of author, NP)) its exposure is low.

A telephone survey of current and lapsed members conducted for FBA-SA (von Oertzen 2003) asked if use had been made of a family business adviser in the last twelve months: 92% had not done so. (It is intriguing to note that 29% said they would make use of an adviser in the next twelve months). Family businesses to whom I recommended advisers over a period of eight years have informally reported highly satisfactory outcomes.

In 2007 a special family business edition of 'Insight' prepared by the publishers of 'InBusiness', a South Australian business magazine, was circulated free to 60,000 businesses. In it I drew attention to the 'massive body of experience' acquired by family businesses and their advisers, inviting those facing challenges to draw upon it, *inter alia*, by contacting me (Reddrop 2007). No-one did.

Aronoff and Ward (1994) and Ward and Aronoff (1993) discuss reasons for failure to seek advice. They posit that some family businesses do not see themselves as such, and therefore do not relate to issues of a family business character. Consequently, specialist advice is not sought and also challenges are unanticipated. Family businesses may simply fail to anticipate challenges and the need to prepare for them, crucially, the death of the founder. They may see family business issues being personal and sensitive, and not the purview of outsiders. They may recognise the challenges but yet see them as unique to the business and not amenable to outside advice. Family businesspeople may be open to advice but do not know where to look for it. Particularly in a growing business, day to day exigencies may occasion the

postponement – indefinitely – of issues, like succession, which do not demand immediate attention. They may be deterred by the perceived cost of employing advisers. Or they may be intimidated by the perceived technical language of specialists. There may be doubts, real or perceived, about advisers' competence in the field. These matters are discussed more fully in Section 2.5.2.

1.3 The research area

My empirical research is conducted largely in South Australia for practical reasons of accessibility (I was known to potential informants) and economy. Interest in family business has been generated at the political level and this is sketched in Section 1.4.1 below. But because of the paucity of previous relevant research in relation to South Australia my literature review casts a wider net. Internationally, family business has received attention at the political level, notably through the activities of the European Commission. This is briefly described in 1.4.2 and drawn upon in Chapter 2. Relevant family businesses empirical studies are called in aid irrespective of national provenance (which is frequently not germane to the material under examination) while much theory relevant to family business is not explicitly constrained by geographical boundaries.

1.3.1 Recognition of the issues in South Australia

The South Australian government was the first – and only – Australian government to appoint a dedicated family business adviser as a member of the team with industry sponsorship functions. Duties as adviser included direct advice to family businesses; providing guidance to family businesses on the availability of consultants who could meet their particular needs; the preparation of research papers; and providing advice to the relevant state government minister on matters affecting family businesses; for example in relation to her attendance and presentations at FBA functions, and her participation in the Australian Commonwealth's Small Business Ministerial Council. There she described her Department's activities in relation to family businesses and commended like action by her ministerial counterparts. I served as the government representative on the executive committee of the South Australian chapter of FBA and arranged for government sponsorship and, with FBA, organisation of workshops and seminars on family business topics and acted as client in the Department's sponsorship of external research (eg, Dillon, 2001, Spoehr, 2005 and Dunstone, 2007).

In 2007 the Premier of South Australia appointed Dr Dennis Jaffe, Professor of Organization System at Saybrook Graduate School, San Francisco, as Adelaide Family Business Thinker in Residence. After exhaustive consultations he wrote a report (Jaffe 2008) containing recommendations for the South Australian government and family business community. The government responded, *inter alia,* by

appointing to the chair of its Business Development Council the chairman of the FBA South Australian chapter executive committee, with a family business subcommittee chaired by another of the executive committee's members. It also created the position of family business development manager whose duties included helping to equip the state's existing Business Enterprise Centres (BECs) and Regional Development Boards (RDBs) with the knowledge needed to act as primary sources of advice and information to family businesses.

1.3.2 International recognition of the issues

Awareness of family business issues and their significance has prompted extensive research on family business in particular by the European Commission. This culminated in the Final Report of the Expert Group on Family Business Relevant Issues (2009). The issue with which my research is concerned, the use of external advice, was not specifically addressed by the report. However, it did recommend the promotion by governments of 'ownership education' and within the field of entrepreneurship the creation of family-business-specific courses. This is relevant to my research into sources of advice to family business people; also into the quality of family business advisers and their educational formation, which is discussed in Chapter 4, Section 4.10.4.

1.4 The focus of the study: the research questions

While developing relevant theory the thesis will address the following:

- **What are the factors that drive and impede the uptake of external advice by family businesses on family business issues?**
- **How can advice become more accessible and appear more relevant?**
- **What public policy implications arise?**

Answers to these questions will improve understanding of the benefits available to family businesses by judicious and appropriate use of external advice on family business issues, and of the deterrents to its engagement. A major challenge is that of succession, which if not met can place businesses in jeopardy. The issue is one of some urgency by reason of the impending high rate of CEO retirements. The research will elicit understanding not only of the availability of external advice but of its quality. It will bring to light deficiencies and elicit practices capable of overcoming them, paying particular regard to the role of public institutions in advancing the family business sector's wellbeing.

It will gain the required understanding by dialogue with multiple practitioners in the sector, but with the benefit of greater penetration afforded by relevant theory. The opportunity will be taken to reinforce or propose modifications to theory when steered by empirical observation.

1.5 Research framework

The thesis employs mixed methods, principally qualitative in order to illuminate in depth the reasons why family business people elect or decline to seek and use external advice, their predispositions and the contexts in which choices are made or foregone. The inquiry entails the use of semi-structured interviews of family business chief executives, as the usual decision-maker regarding the employment of advisers, other members of the families in the businesses as a counterpoint to the CEOs' perspectives, and those who advise family businesses. A relatively large number of interviews are conducted. This is consistent with my philosophical standpoint that maintains that insofar as multiple views converge 'truth' can be approached. Interview participants, 'co-researchers' (Reason 1998), provide the major insights the research elicits, assisted by the 'sensitivity' provided by my previous experience in being 'able to give meaning to the events in data' (Eriksson & Kovalainen 2008, p.163).

Because the family business sector is poorly supplied with statistics, the interviews are preceded by a quantitative email survey of chief executives. This functions to furnish the study with landmark information on key characteristics of family businesses, on the incidence of the engagement of advice, and from whom, and on whether it was considered useful and whether acted upon. The survey is to assist in framing the questions in the subsequent interviews and locating those prepared to be interviewed.

While anticipating that the major insights in the thesis are to be gained through discussions with interview participants, I explore theories which offer explanations and illumination of certain actions of CEOs and other actors in the field of study. I indicate directions in which they may be developed further. The theories studied are: institutional theory, theories of social capital, those concerned with trust, and aspects of organisational knowledge creation. In addition, the research frequently calls in aid the work of Manfred Kets de Vries *(passim)* to assist understanding of entrepreneurs' psychological traits.

Institutional theory adverts to behaviour of a kind encountered in the real world of family business people who are conditioned and motivated 'on a highly relational base,… highly emotionally loaded, driven by both economic and noneconomic goals' (Pieper 2010, p.28). It is a healthy diluent to agency theory which though conceived

in the field of business financial management has infused and become dominant among family business theories (Chrisman et al. 2010).

Social capital defines the resources made available through the network of relationships possessed by an individual or an organisation. Since the subject of my study is 'advice' as distinct from 'advisers' attention is to be given to the nature, the extent and the value of networks to which family business owners and managers may belong. The theory surrounding social capital assists in an understanding of how CEOs, for example, gain and qualify their knowledge. Networks may in particular be a medium through which the entrepreneur resistant, 'impervious', to professional advice as portrayed by Kets de Vries may yet be influenced by the experiences of peers.

Described as an 'organizing principle for family firms' (Eddleston et al. 2010), trust is prominent among theories relating to the discipline. It has affinity to social capital in being a precondition of its acquisition. It is a necessary component of a decision by family businesses to engage advisers (Kets de Vries, Carlock & Florent-Treacy 2007). It constitutes the central theme in Maister's influential manual (2000) on successful business advising. As later chapters disclose, it will prove to be the most productive single concept in addressing the research questions.

Unlike the theories referred to above, theories of knowledge creation were not to be explored prior to the empirical research in anticipation of their possible usefulness in interpreting what I was to learn from research participants. Rather they were to be **prompted** by insights gained empirically. They help explain how through discourse arising in networking knowledge of a participant of which he/she had been previously unaware of possessing could be articulated and then transferred to other network participants. Similarly, experienced advisers and their 'understudies' could draw out lessons on the art of advising through a mentoring discourse. Similarly again, my interrogation of interview participants was to draw from them insights which had previously remained tacit. The principal authorities from which this understanding was gained are Polanyi (1962, 1966), Nonaka (1994) and Schön (1987, 1991).

1.6 Structure of the thesis

The thesis is structured around five chapters. Chapter 2 seeks to record previous research relating to family business use of external advice on family business issues and the more copious literature on the use of advice made by small and medium sized businesses (SMEs), though rarely in relation to family business issues. It seeks previous research on the role the public sector has played in advising family business. This, too, proves to be exiguous, with the outstanding exception of that prepared by Mandl (2008) on the relevant activities of governments of countries in and associated with the European Community. It draws upon research into the use

of accountants as advisers, reflecting their predominance as family business advisers and the enduring relationship they tend to have with their clients. It concludes that in the area of study previous empirical research leaves very wide gaps. The Chapter explores the theories referred to in the previous section. It finally revisits the research questions set out in Section 1.3 above, refocusing the work called for in the light of the gaps and as the theories prompt.

Chapter 3 sets down the philosophical standpoint from which the inquiry proceeds, that of 'transcendental realism'. It describes the methods of inquiry adopted and provides reasons for the choices made: that is, they are compatible with my epistemological and ontological standpoint, take advantage of the data and access to research participants available to me and are technically appropriate to elicit the knowledge I seek.

Chapter 4 describes the findings of the research as elicited by mutually supportive survey and interview and draws on the theories which help to explain what is disclosed.

Chapter 5 draws conclusions from the findings: on the propensity of family businesses to seek and take external advice; on the important place of peer advice, on the capabilities and shortcomings of professional advisers and ways which have been found to raise their competence. It demonstrates the relevance of the theories chosen for study, trust outstandingly, and offers both confirmation and emendation. It indicates how the research has contributed to available data, to theory and to present practice. It offers suggestions for further research, particularly as regards the extension and the evaluation of the benefits of peer networks; on advisers' skills formation; on client-adviser relationships; and on overcoming the 'intransparency' (lack of recognition by politicians and the community) of family businesses through paucity of useful statistical data.

1.7 Preserving anonymity

To fulfil undertakings given to those interviewed, codes, eg, C1, C2 have been substituted for real names of family business people, and codes A1, A2 for advisers. The experience has been drawn upon of encounters with family business people before my research began. In all cases fictitious names, and sometimes locations, have been used to preserve anonymity.

1.8 Summary

This Chapter has set the agenda for the thesis. It has introduced the problem of 'engagement' with external advice. It has drawn attention to the significance of the matter, having in mind that family businesses are the predominant business form, and that their vulnerability is likely to increase in the years ahead as founders and

other owners retire, along with their baby-boomer contemporaries, and may fail to assure the future of the business through successful transfer of ownership and management. It has ventured some reasons why advice may not be sought, including those relating to possible adviser shortcomings.

Section 1.3 established the research questions to be addressed. The remainder of the Chapter outlined the methods of inquiry to be used, the fields of literature, empirical and theoretical, to be drawn upon, and how these are organised in the chapters to follow.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

This chapter notes: writers' comments on the absence of a general theory of family business to call in aid of the research; and the attempts to apply general business theories to family business and shortcomings in doing so. It foreshadows the possible emergence of family business theory through practitioner-inspired research. It discusses definitions of family business and explains how the choice of definition for this study, stated in Section 1.2.1, was arrived at. It reviews 'parent' literature on the use of external advice by family businesses, noting its provenance from practitioners rather than academics. It draws attention to the more copious 'close relative' research on small and medium-sized enterprises (SMEs) and external advice, commenting on the extent and the limitations of its application to family businesses. It discusses the salient if ambivalent place accountants occupy in family business advice. The review identifies substantial gaps in extant empirical research: these help determine the direction and shape of the thesis, as does exploration of certain existing theories which, in combination and in ways not hitherto employed, illuminate the search for answers to the research questions.

2.2 A family business theory?

The starting point for research of the kind intended would be a general theory of the family business. This should be the 'ultimate aim' of family business research (Chrisman, Chua & Sharma 2005) but one still to be accomplished. Chrisman and colleagues acknowledge the work of Stafford et al (1999) as a start to filling the gap. Stafford and her collaborators and Danes et al (2008) developed and extended 'sustainable family business theory', providing comparable levels of detail for the family and the business. It recognises the goals other than financial that drive family businesses and families in business, a recognition previously observed by Tagiuri & Davis (1992) in an article much cited subsequently. In this, it separates itself from agency theory, 'the prevailing theoretical foundation for family business research' (Pieper 2010). However, among Danes's 'central tenets' are the beliefs that 'family is a rational social system' and that 'owning families rationally manage the family and business jointly to optimize achievement of their objectives', (2008, pp. 244-5). Recognition of the force of institutional theory (2.8.1), its exposition of the irrational and unreflective, deters reliance on Danes's formulation, as do the psychological forces summoned by Pieper in elaborating the multiple motivations 'going well beyond self-interest and material goals' that drive family business people.

Academic research has not reflected the relative importance of family businesses in the economies, representing, as they do, some 65% to 80% of all businesses worldwide (Gersick et al. 1997). This has been attributed to difficulties in distinguishing firms which are family owned and operated from those which are not (Daily & Dollinger 1991). Also offered as an explanation is a reported relative difficulty in gaining access to family businesses for research purposes. This is said to arise from a habit of secretiveness and a tendency to guard information from outsiders (Kets de Vries 1996a). Inadequate collection of statistical data is also blamed (Handler, as cited in Schultze, Lubatkin & Dino (2000). Litz (1997) suggests the neglect has to do with longstanding relationships between quoted corporations and academic institutions. I observe that university schools of management study management, whereas ownership should be a subject of study no less important for an understanding of family businesses.

Authors have paid respectful (deferential?) regard to mainstream theories of the firm, in particular agency and resource based value theories. Even though they are found to have 'limited scope' in application to family businesses (Sharma 2004, p.24) it did not stop its development and spread in family business research (Heck et al. 2008). While re-examination of the original theories has resulted in their elaboration to accommodate some family business characteristics (Schultze, Lubatkin & Dino 2000), they are hampered by 'implicit assumptions that wealth creation through the competitive advantage is the sole goal of the firm' (Chua, Chrisman & Steier 2003, p.333), whereas the values and beliefs shared by family business members create imperatives that often conflict with purely rational economic demands (Moores & Barrett 2002; Holt 2011) . They may not regard growth as the only or principal measure of success, regarding healthy interpersonal relationships among family members and business associates as the higher goal (File, Prince & Rankin 1994; Sorenson 2000; Dana & Smyrnios 2010). This is recognised by the exponents of stewardship theory, locating the leader's goals in a wish to pass a healthier and stronger business to future generations (Davis, JH, Schoorman & Donaldson 1997; Davis, JH, Allen & Hayes 2010). To many family businesses 'social and cultural capital' is as important as financial assets – and contributes to the firm's survival over decades and generations (Mandl 2008; Moores 2009). Chua et al (2003, p.333) conclude that 'a paradigm for family firms would have to expand its goal set to include benefits unrelated to financial and competitive performance'. Doubtless Kets de Vries (1996a, p.860) has such considerations in mind when he stigmatises descriptions of how people make decisions in management textbooks as 'over-simplified and grossly inadequate' and 'far removed from real-life decision-making'. He reminds us that:

> *competing successfully with the outside world is only the beginning. Intra- and interfamily conflict and rivalry must be managed as well.*

More recently, academic studies of family businesses have accelerated, driven by the need for practitioners to understand better their fields of operation, representing a 'demand from practitioners rather than the pull of scholarly inquiry' (Sharma et al. 2007).

They have helped bring into being no less than 110 'centers and related organizations' having family business programs in the United States, while such centres increase in number worldwide (Sharma et al. 2007, p.1014.).

It is in practice-inspired studies in such institutions that the major formation of theory may be expected. Sharma et al (2007) foresee greater funding of 'outcome research, basic research and public policy'. In the first and last of these the practitioner-author of the present study hopes to make a contribution.

2.3 Family businesses defined

A comprehensive survey of definitions was provided for the European Commission by KMU Forschung Austria (Mandl 2008). This reviewed definitions used in 33 countries comprising the EU 27 plus members of the European Economic Area, Iceland, Norway and Liechtenstein, and three applicant countries, Croatia, the Former Yugoslav Republic of Macedonia and Turkey. Reviews of written material were undertaken by 'expert' agencies in each country, supplemented by interviews. The outcome claims not to be exhaustive but 'providing a good overview on their multiplicity and heterogeneity' (Mandl 2008, p.9). In no country among those in the European Community studied is there a single definition of 'family business' which is widely used in all aspects of public policy, eg, public and policy discussions, in legal regulations and as a criterion for support services and the provision of statistical data. Nor is there conformity of use in research. The most common element differentiating family from non-family businesses is ownership, and the next most common (present in about three quarters of the definitions), strategic/management control.

When these two aspects are both present all the 250 authors of papers on definition reviewed by Chua et al. (1999) agree the business qualifies as a family business. Unanimity is lost when there is family ownership but not family management; and more so when the only criterion existing is family management.

Litz (2008) suggests a family business is to be identified where inputs of the family system become outputs of the business system, eg, the firm's workforce and the family's income, and vice versa.

Subjective, 'softer', criteria are common. Indeed, Chua et al. (1999) prefer a 'theoretical' definition to an 'operational':

> *There must be a primary theoretical imperative that makes the study of family businesses as a unique typed of organization worthwhile…therefore …any attempt to define a family business must start at the theoretical level (p. 23).*

The essence lies in the firm's vision and its intention to pursue it potentially across generations. Other 'softer' definitions see the family aspect of a business in terms of its place on a continuous scale, termed the Family Power Experience Culture Scale, rather than a hard defining attribute (Astrachan, Klein & Smyrnios 2002).

The softer definitions of 'qualitative characteristics' feature also in Mandl (2008): 'family aims', a 'family heritage', a 'partnership culture' feature in some national typologies.

However, Mandl (2008) (who is enunciating the 'compiled experience of [many] European family business experts'), advances from the descriptive to the hortatory, to formulating policy advice. She maintains that tackling the issue of 'intransparency' is essential to the sufficient recognition of the place of family businesses in the community and to the formation of needed public policies. She calls for 'more systematic and detailed information in the form of statistical data on the family business sector' (p. 96), and, crucially, for

> ***an unambiguous definition of family business that is usable for research/statistical data on the family business*** (Mandl's emphasis**).**

The definition should recognise a combination of ownership and management as being necessary while indirect influence, eg, from holding companies should be 'respected'. A definition has been proposed (in Finland) which is gaining international acceptance and has been adopted by the Family Business Network (FBN) International. It stipulates (p. 98, in a slightly more extended form) that a family business is one in which:

- the majority of votes is in possession of the natural person(s) who established the firm or in the possession of their spouses, parents, child or children's direct heirs
- at least one representative of the family or kin is involved in the management or administration of the firm

and that

- listed companies may meet the definition of family enterprise if the person who established or acquired the firm or their families or dependents possess 25% of the right to vote mandated by their share capital.

Also, to allow inclusion of founder-led businesses, an intention to transfer the firm to a family member 'needs to be taken into account'.

Qualitative criteria, 'familiness', are acknowledged but are to be excluded on grounds of 'intangibility', the inability to measure them, and also because implied cultural aspects will vary from country to country.

No criterion as to size of the business is stipulated.

The purpose and the integrity of my own study can be served by a number of possible definitions of family business. While the widespread adoption of an agreed definition is desirable – on the grounds of combating 'intransparency' and to permit comparability of studies, the recommended 'Finnish' version excludes from the family business definition those businesses where there is no family involvement in management. Such businesses are nevertheless still relevant to my topic as the family controlling owners require considerable outside advice, especially since they are not directly represented within management. With transition of ownership/management being more prevalent in the next ten years (Glassop, Hagel & Waddell 2008), there may well be many who choose family ownership but not necessarily management. Reluctantly, therefore, I forgo use of the internationally-recommended version. Instead I turn to, but extend, the definition of Dennis Jaffe as 2007 Adelaide Thinker-in-Residence (2008, p.11):

> *Businesses where two or more family members work in the business and/or share or expect to share ownership and want to pass ownership on to the next generation (my addition emphasised).*

2.4 Family business issues

This section and sections 2.5 and 2.6 which follow survey material relevant to the first question addressed in the thesis (section 1.4) on the propensity of family businesses to seek external advice on family business issues. For the purpose of this study, family business issues are those that have a bearing on family business transitions, conflict and survival. They embrace the wellbeing of both family and business. They involve the technical (trusts, wills, taxation…) but transcend it, raising questions of relationships, requiring understanding of the culture of the family and discernment of what will gain the assent and ownership of its members.

Family business has unique traits: the need for business owners to make succession, strategic, personal financial and family plans; the need to make business goals harmonize with family objectives, philosophies and values; in many cases to satisfy shareholder demands for liquidity; or to finance ownership and management succession without relinquishing family control. There is 'a profound impact of family values, history and attitudes on the workings of the business' (Aronoff & Ward 1994, p.26)

Jaffe (1991, p. 25) asserts that, 'family involvement adds several layers of complexity to a business'. Moreover, unlike public corporations, 'family businesses can be run with a variety of goals that run counter to or alongside the profit motive'. Indeed, the empirical studies of Spence and Rutherfoord (2001) found that owner-managers rated 'subsistence' and 'social priority perspectives' above profit maximisation. Values and beliefs of family members can also introduce a cultural dimension that conflicts with purely economic demands (Moores & Barrett 2002).

Leach and Bogod (1999) refer to the 'basically incompatible' family and business systems in the non-family business, but which become not merely overlapping but interdependent in the family firm, the differing purposes and priorities within which produce the 'special tensions' to be found there. Referring to succession, 'a process which on the face of it may seem identical to that faced by all firms', they term the family business version,

> *a minefield of psychological, family-related, emotionally charged dilemmas that, in reality, entirely transform the change of leadership into one that can threaten the survival of the business (p. 14).*

Kets de Vries (1996a, p.4) writes of 'issues unique to entrepreneurial and family businesses', such that:

> *anyone having anything to do with a family business must quickly become acquainted with its unique psychodynamic problem* (p. 263).

In identifying the particular kinds of issues that challenge family businesses, prime place must be accorded to succession, 'the most dangerous…a business faces' (Bork et al. 1996). The same authors estimate that 85% of the crises that are faced by family businesses arise around the issues of succession. Succession confronts the founder of a family business with complex options. They include appointing a family member, appointing a caretaker manager, selling the business in whole or in part, or liquidating the business (Leach & Bogod 1999). To confront and to plan for the eventuality involves contemplating one's mortality (Hubler 1998; Kets de Vries 2003). Decisions are frequently postponed – or never taken (Glassop, Ho & Waddell 2005), presenting successors – if not liquidators – with a crisis that can be fatal to the firm (Kets de Vries 2003). In regard to ownership, decisions need to be taken on the terms under which transfer takes place to successors; if to family members, should market values prevail or some lesser consideration? If at market values, could the successor or the business survive the transfer of funds entailed? And if lesser, would sufficient provision be made for the incumbent's retirement needs? (Leach & Bogod 1999; Moores & Barrett 2002).

2.5 Family businesses and external advice

This section reviews data on the extent of use of external advice on family business issues by family businesses (such as it is). It draws attention to the literature on the disposition of family businesses to use advice and on certain predisposing factors influencing its use. It covers material on the knowledge required of advisers to family businesses.

The section also seeks to review material on the use of external advice other than by professionals, but finds little of relevance. It discusses reports concerning the place of government initiatives in supporting family businesses advisory services, principally that commissioned by the European Commission. It discloses many gaps.

2.5.1 Numerical data

Published data indicate a limited use of external advice; also the prevalence of accountants where external advisers are employed.

Australian data derives from three successive surveys by Smynios and collaborators. Smyrnios, Romano et al. (1997, p.21) cite international data, viz, Stoy Hayward and the London Business School, 1989, and Massachusetts Mutual, 1993, to state that most family businesses tend to rely on other family members rather than consulting with family business advisers. In line with these reports only 27% of their own respondents consulted external advisers and they most often consulted accountants (37.6% overall), see Table 2.1. Six years later Smyrnios and Walker (2003, p.27) indicate a similar finding, that 'only 25% of family business owners sought external advice 'in the succession process'. Smyrnios and Dana in 2006 (p.26) indicate that 51.6% of family business owners had not sought outside advice on their succession options and did not propose to do so in the foreseeable future. Of those that did seek it, 39% employed accountants compared with 19.5% who employed lawyers and 15.1% 'professional business consultants'.

Table 2.1 External advisers used in succession planning in Australia

Percentages	Ist generatio	2nd generation	3rd&4th generati
Accountant	38.5	39.8	25.3
Business adviser	17.2	20.4	31.3
Lawyer	6.9	11.6	8.4
Family member	6.1	9.4	9.6
Multiple advisers	6.9	5.5	3.6
Other	9.1	6.1	13.4
No one	15.3	7.2	8.4

Source: Smyrnios, Romano & Tanewski, Australian family and private business survey (1997, p.21)

International surveys provide a similar picture, that is, both of a relative neglect of external advice, and when it is engaged, of a predominance of accountants as the source of advice to family businesses. Table 2.2 provides US data. New Zealand family businesses, similarly, were found to turn to accountants predominantly for advice on the 'family dimensions of their business, such as succession' (Nicholson, H, Shepherd & Woods 2009, p.3). Accountants are also prominent among advisers to UK SMEs (Table 2.3). This indicates that accountants are the predominant source of advice if only one source is used, but are used by an even greater proportion of clients who derive advice from more than one source.

Table 2.2 Use of selected advisers from outside the family rated "most important" by US family business owners:

No one	30%
Family members not in the business	2%
Friends	3%
Business peers	3%
Bankers	4%
Managers in company	4%
Attorneys	9%
Accountants	31%

Source: a survey of 614 family business owners by Massachusetts Mutual Life Insurance Co., Springfield, Mass, September, 1993, quoted by Aronoff & Ward (1994, p.11) (percentages do not add up to 100).

Table 2.3 External sources of business advice from sole and multiple sources by British SMEs (percentage of respondents using each source who use it as a sole service or as one of two, 3-5, or 6 or more services)

Advice source	sole source	2	3-5	6 or more
Accountant	52.7	70.6	89.1	95.8
Solicitor	9.1	24.3	53.1	83.9
Bank	4.8	32.2	62.2	87.5
Business friend/relative	4.2	10.2	32.8	62.8
Customers	6.7	15.3	39.8	78.0
Suppliers	3.0	5.9	24.9	68.6
Consultants	7.3	9.8	22.1	57.7
Chamber of Commerce	1.2	8.2	14.0	44.3
Trade/Professional Associations	5.5	11.0	22.0	56.4
Local Enterprise Agency	1.2	2.0	6.8	30.7
Local TEC or Scottish Enterprise	1.8	4.7	11.3	47.0
Business Link/Shop/Connect	2.4	5.1	15.0	50.1
Business Link	2.6	5.5	15.8	52.6
Business Shop & Connect	0.0	0.0	6.5	26.7
RuralDevelopmentCommission or Regional Agency	0.0	0.8	2.2	10.2
N (all)	165	255	1016	915

Source:: Bennett & Robson, The use of external business advice by SMEs in Britain (1999b, p.172)

2.5.2 Willingness to seek advice

I found the literature on the willingness or otherwise of family businesspeople to seek external advice to be predominantly supplied by experienced practitioners rather than through the application of academic study: wisdom rather than evidence;

anecdote rather than statistics. Strike (2012b, p.157) concurs. Notwithstanding that, reasons have been accumulated, many cited by Aronoff and Ward (1994) and Ward and Aronoff (1993):

- Lack of awareness by a family business that it is such: 'No, we're not a family business, we're doorframe manufacturers'. The consequence is specialist advice is not sought and also challenges are unanticipated.
- Family businesses fail to anticipate challenges and the need to prepare for them (archetypically, death of the founder).
- Challenges are recognised but seen as unique and not amenable to outside advice.
- Family businesspeople might welcome advice but do not know where to look.
- Day to day exigencies prevail: any issue which is postponable is postponed.
- Family business issues are personal and sensitive and not the purview of outsiders.
- Founder-entrepreneurs are self-reliant, not accustomed to seeking advice.
- Perceived cost.
- Intimidation by the perceived technical language of specialists.
- Fear of loss of control, in the extreme, of death (see also Hubler, 1998).

Lussier & Sonfield (2010) reveal that the use of 'outside consultants, advisors and professional services' increases as the family firm moves from first to second, to third generations'. Practitioners' contributions are nevertheless often powerful and compelling. It is not to be underestimated. Argyris and Schön (1996, p.43) advise, 'researchers should try to discover what practitioners already know...and learn to appreciate the inquiry in which practitioners are already engaged'. Moreover, Brockhaus (2004) warns of the entry into the field of 'newcomers' with better research skills but interested in research topics less relevant to issues actually facing family businesses.

It is open to suggest that founder-entrepreneurs, being self-reliant, are not accustomed to seeking advice. They may fear loss of control, and in the extreme, death.

Sections below refer to research which elucidates a number of the above assertions.

2.5.3 Advisers' abilities

Reluctance to engage professional advice on family business issues can be well-founded. The needed expertise is not universally possessed: 'resolution of issues may require more from advisers than their professional discipline has prepared them to provide' (Bork et al. 1996, p.7) and those unacquainted with the family business's 'unique psychodynamic problems', be they the best in their profession, 'will not get far' (Kets de Vries 1996a).

As discussed in section 2.4, family businesses are characterised by the presence or emergence of 'soft issues', those concerning both familial and extrafamilial relationships. They are distinguishable from those 'traditional' issues in the corporate world. 'Unfortunately', one adviser claims,

> *Very few of the "technically oriented" professional advisors, whether from the legal, accounting, or financial services industries, appreciate the differences.* (Levinson 1996, p.68).

Goodman (1998, p.353) concurs: 'often, accountants, lawyers and business professionals lack empathy and compassion'. As does Jaffe (2010, p.125): some advisers 'are not comfortable with emotions in general and collude with an upset family member to sweep the issue under the table' They may experience 'tunnel vision' when confronted with family issues outside the area of their technical training (Goodman 1998). Yet without 'attunement to a business family's ability to deal with challenging emotional issues', a family business consulting engagement will fall (Vago in Kaslow 2006, p.35). Aronoff and Ward (1994) devote chapters to the attributes of a 'good' adviser and to the signs that should warn of a bad, but do not report empirical research on this. Wilder in McCann and DeMoss (2000, p.68) says,

> *Many professional advisors have deep professional skills. However, it is equally critical for professional advisors to have a deep appreciation of the "soft issues", and the role played by family dynamics in order to be an effective counsellor to the owners of family-owned businesses.*

His experience tells him, however, 'very few professional advisors, whether from the legal, accounting or professional services industries, appreciate [the] differences'.

Moreover, as Bork et al. (1996) contend, professional ethics may be antithetical to the business's needs, requiring advisers, lawyers in particular, to represent the interests of a single party whereas the resolution of family business issues may call for a search for a collective benefit in which individual interests may need to be subordinated (Kets de Vries, Carlock & Florent-Treacy 2007; Jaffe 2010).

In a penetrating portrayal of incompatibilities between the worlds of owner–managers and the professional adviser, Dyer and Ross (2007, p.131) characterise the one as 'shaped by a motivation for independence, intuitive decision-making…[preferring] informal, experiential modes of learning' and the other taught by 'pedagogic methods designed to inculcate the goals of formal rational analysis'. Nicholson (2008, p.107) would concur: 'the modus operandi of family firms is typically informal, with a dislike of administrative rationality'. Moreover, owner-managers and advisers may be on opposite sides of the extrovert/introvert divide (Stone, G 2010). Donckels (1992) refers to a lack of 'complementarity' between the entrepreneur and consultant when entrepreneurs look for consultants who are their peers.

The foregoing, thus, highlights both inadequacies claimed to be found among advisers and communication barriers between them and potential clients.

Notwithstanding this, there is plentiful material addressed to consultants on how they should assist their family business clients. (Bork et al. 1996; Levinson 1996; Hubler 1998; Mattera 2000; Wilder 2000; Hilburt-Davis & Gibb Dyer 2003). The difference in advising family business clients as distinct from clients generally is often emphasised. Prominent are: the need to advise the whole family, not just the CEO; the importance of distinguishing family from business goals; the merit of introducing formal governance structures; compensation of family employees; the need always to raise questions about the future; and generally to maintain up-to-date technical knowledge in the field (Aronoff & Ward 1993; Bork et al. 1996; Jaffe et al. 1997; Mattera 2000). A comprehensive body of knowledge is that incorporated in the Launching Pad™ and The Essentials™ courses of the international Family Firm Institute, Inc (www.ffi.org) now offered in Australia through Family Business Australia. Their curricula are much influenced by *Consulting to Family Businesses*, (Hilburt-Davis & Gibb Dyer 2003). The courses provide would-be advisers with an understanding of the broader needs of family-owned businesses

> *Being technically sound is only half the battle. Functioning as an effective adviser to a family business owner requires deep understanding of the soft issues faced by family businesses* (FFI seminar material 2008 p. 4).

They provide insights into how to expand their practices; advice on forming collaborative relations with other professionals ('it is a rare consultant who has all the skills that a family firm consultant needs') and the ability to think in terms of the family business system. More experienced advisers are exposed to: an understanding of the ethical issues and challenges they may face; family business models and concepts; and resources for exploring core disciplines in depth.

The foregoing indicates that despite the availability of material on what the family business adviser needs to understand in order to practise competently commentators maintain it is far from universally deployed.

2.5.4 Non-professional advice

Professional advisers are far from the sole source of advice upon which family businesses draw. The information in Table 2.1 recognises the use of 'family members not in the business', 'friends' and 'business peers'. The percentages quoted may be lower than would occur with advice on other than succession planning. The place of peers as advisers was formally recognised in the formation of the European-based Family Business Network in 1990 (Lank & Thomassen 1991). National studies of the composition of the networks entrepreneurs use to discuss their business show that 'kin' represent between 13% and 31% (Anderson, A, Jack & Dodd 2005). The authors reported a Scottish study in the same article which analysed the 'content' of the discussions. It is of interest that family members not in the firm were able by reason of their heterogeneous 'professional locus' to provide a 'wide and diverse range of assistance' (p. 141). Unfortunately for the purposes of the present study the issues reported to have been discussed were of a general business nature ('finding new customers', 'selecting suppliers', 'recruiting employees', etc), and not family business issues. This signifies a gap I seek to fill.

2.5.5 Clients' resistance to advice

It is pertinent to observe some general propositions about advice-taking before turning to research on distinctive characteristics of potential family business clients. Social psychologists have recognised that for advice to be sought about a condition, humans need to regard it as 'problematical'. Having done so, they need to be sure that benefits outweigh the costs of seeking advice. Self-help is the alternative, and needy individuals may regard 'procrastination, persistence, denials and acceptance or resignation as more appealing options than asking for help' (Rosen, 1983 quoted by Fisher et al in Gottlieb, (1988, p.268).

Moreover, the reluctance of high-self-esteem individuals to seek assistance has been corroborated by field studies. Those by Burke and Weir (*Psychological Reports 1976)* are cited by Fisher et al in Gottlieb (1988, p.276). They examined personality characteristics associated with giving and receiving help, finding that the higher an employee's self-esteem, the less likely he or she was to approach work colleagues for advice. The inverse relationship between self-esteem and help-seeking was confirmed experimentally by Nadler (1987). However, field studies have also shown that reluctance can be mitigated if the seekers are brought to believe that they can reciprocate (Nadler 1987). These findings are supportive of the merit of (mutual) communities of learning discussed in section 2.9.2 below.

A greater receptiveness to advice can also be observed if the advice-giver has a close relationship with the recipient. This is associated with higher levels of trust and of liking. Close relationships help to mitigate some of the embarrassment or psychological cost associated with seeking help (Feng & MacGeorge 2006). The same authors found the second most influential factor disposing to receptiveness was expertise on the part of the advice-giver. This was particularly so if the advice-giver's experience was greater relative to that of the hearer (Harvey & Fischer 1997). These findings have relevance to the discussion of non-professional advice to family business people, which will be embarked upon later.

As to business-owners in particular as clients for advice, Johnson et al (2003, p.16), after a discussion of barriers to the use of publicly funded advisory services, conclude that 'the key hurdle lies in convincing owner-managers to accept any external advice or support'. Mole (2002, p.143) writes that 'owners believe strongly that their business is unique, which makes them very sceptical about new advice'. He raises the concept of 'absorptive capacity' as necessary, but not always sufficiently present, for 'new knowledge for organizational learning to take place'. Bennett and Robson (2003, p.797) reveal 'reluctance by SME owners to use external advice services, often because they fear loss of control'. Nicholson (2008, p.105) cites 'overattachment, insularity and complacency' within family business as inimical to seeking needed advice.

The list of reasons for not seeking advice in section 2.5.2 above includes the characterisation of entrepreneurs as self-reliant, having 'an instinct for independence' (Bouckaert & Sels 2001) and a fear of loss of control. The founder of a business may have run the business in a way that has isolated him or her, being the one depended upon to make all the decisions (Bork et al. 1996). The founder's experiences while creator of the business may dispose him subsequently to be less trusting in relationships (Stanley, LJ 2010). A greater propensity of entrepreneurs to suffer from attention deficient/hyperactive disorder than the general population may favour in some few of them a greater reliance on instinct and heuristics (Hayek & Harvey 2012), and plausibly a corresponding disinclination to seek external sources of information and advice. The works of Kets de Vries are revealing. He remarks on the absence in psychoanalysis of case material on entrepreneurs in contrast to that which exists in economics, sociology, anthropology, psychology and organizational theory (Kets de Vries 1996). He makes up for it. Within a number of works , (1996, 2003, (Kets de Vries, Carlock & Florent-Treacy 2007) he portrays entrepreneurs and leaders of family businesses (variously), as: 'having great difficulty in taking direction from experts whose help they need in running their own business' apt not to follow 'prescribed rational processes' but making decisions in accordance with their own "inner theatre"; being 'self-made prisoners of the past', breaking out of which is difficult without 'some form of professional help'; suspicious of others; allergic to authority; single-minded in maintaining control; narcissistic; isolated; and

unwilling to 'go gentle into that good night': (diagnoses of morbidity by a clinician rather than the portrayal of a biographer). He is not alone: Leach & Bogod: (1999, p.14): 'deep-seated and intense paranoia is the description that most often readily springs to mind'; and Hubler (1998, p.190): 'all the work we consultants do in family-owned businesses in regard to ownership…implicitly deals with the issue of loss and death', a topic which is not readily confronted, in particular by 'monarchs', a type of family business CEO distinguished in the typology of Sonnenfeld and Spence (1989, p.356) for resisting retirement and prolonging their careers in an attempt to 'minimise the trauma of old age'. The fear is far from abnormal: 'letting go' being 'one of the most emotionally difficult experiences of a CEO's life' (Holt 2011, p.1)

The foregoing portrays advice-seeking as potentially 'costly', particularly for those with high self-esteem. Family business founders and owners are seen to have characteristics that might render them particularly resistant to advice-seeking. The belief, however, that reciprocity in advice-giving can disarm resistance is especially significant – as will be seen in later chapters. Furthermore, the importance of 'closeness' between advice giver and recipient has relevance to the discussion of non-professional advice, eg, from peers or family members, which will also demonstrate to be significant later.

Resistance can be particularly pronounced when the matter of succession is in play: 'letting go' prompts anticipation of old age and mortality.

Resistance may arise through an alleged gulf between the language of advisers and the comprehension of their clients. However, research indicates that accounting practitioners (specifically) take pains to ensure their communication is intelligible and their use of technical accounting language is limited (Stone, G 2010).

Finally, cost of advice may understandably deter. A form of advising recommended as most appropriate for the solution of many family business issues is termed 'process' consulting (see section 4.10.3 below). It involves working with the family over a period of time, as teacher, guide and coach, to help it uncover sources of conflict and other dysfunctions and to search for agreed remedies (Jaffe 1991; Kets de Vries, Carlock & Florent-Treacy 2007; Craig & Moores 2010). It is distinguished from 'expert' consulting in which the adviser is expected already to possess the right solutions and to deliver them pronto. Process advising can be particularly costly.

2.5.6 Benefits from advice to family businesses

No systematic study of the benefits of external advice or receptiveness to it in relation to family businesses has been identified. Strike (2012b, p.156) , searching for research on its nature and value, quotes Chua, Chrisman and Sharma (2003) who found 'the majority of articles are more a product of consulting practices rather than a result of rigorous academic study', while Dyer and Sanchez (1998) found 'none are based on

qualitative or quantitative research'. She also cites other authorities' findings that 'while advising family firms has received significant practical attention the attention to theoretical concepts has been virtually ignored'. It is 'generally agreed' (Sharma et al. 2001, citing Christensen, 1953; Danco, 1975) that managers can benefit from the counsel of outsiders, and 'inferred' by Westhead (2003, p.388) that conflicts between CEOs and other family business manages can be resolved by independent external advisers. In regard to the succession process 'consultation with outsiders and advisors can be extremely useful' (Meijaard et al. 2005, p.7 citing De Bruin, 1991 and Rosenblatt, 1991). Jaffe (2010, p.310) advises that

> *If your family is highly complex, faces significant disagreements or strongly held positions, or is in crisis, you will be well served to get a consultant.*

Marshall (2006) maintains that when succession plans are developed, especially with older business owners a 'trusted facilitator' should be used. This is recommended since although the succession planning process is likely to be regarded as important by older owners their leadership style and conflict management practices are more likely to be inimical to the process.

By contrast, Morris et al. (1997) found the use of tax planners (not family business advisers) was negatively correlated with subsequent financial performance. While in their survey, outside advisers were found by Meijaard et al (2005) to be negatively (but insignificantly) correlated with profitability post transfer to successors (but they call for future research to measure the variables 'more carefully').

Strike (2012b, p.157) found a 'dominant role of nonacademics and [a] limited number of theoretical or empirical advancements' in articles on family business advising. The absence of *systematic* study of the benefits of external advice to family businesses on family business issues can be inferred from comprehensive research into the literature of the key variables or constructs that are predicted to result in superior succession performance (Chittoor & Das 2007). They are summarised under 'predecessor-related factors', 'successor-related factors', 'family-specific factors', 'business-specific factors' and 'succession process'. Use of external advice is not identified. The authors build upon and somewhat modify the analysis of success represented in the literature by Le Breton-Miller et al. (2004) who do not include among some forty listed variables or constructs that of 'use of external advice', even among those sources they classify as 'anecdotal'. It is implausible that the omission derives from infrequency of use of external advice. For example, Bruce & Picard (undated) found that in only 20% of cases did the development of succession plans proceed with the help of 'no-one', ie, no outside adviser or successor. However, many of the variables Le Breton-Miller et al. (2004) did examine could arguably be enhanced with external advice (if not in fact already employed), for example, 'succession planning', 'governance guidelines', 'training program', 'career

development', 'guidance, supervision, mentoring', 'successor phase in', 'strategic planning', to mention only a few. Such an aspect is ripe for study.

There is, however, published *anecdotal* material recounting how the involvement of external advisers contributed or might contribute to problem resolution and effective succession. For example, Bork et al. (1996) describe how a family business consultant initially engaged to construct an estate plan was moved to follow up, successfully, by resolving the family conflict it would otherwise have given rise to. A further example conveying the delicacy, diplomacy and patience an external adviser needed to bring to the solution of a succession imbroglio and the essential nature of his intervention appears in Kets de Vries (1996b, pp.147-157), retailing the story of the Nadia Corporation. There, the presence, the continuing advice and the 'calming influence' of a consultant resulted in the withdrawal of two of three siblings who in a state of conflict were attempting to run the organisation, leaving the best qualified in total control.

There is a considerable literature on the management of conflict in family businesses. It indicates that unresolved disagreements can affect business performance and family relationships and that consultants should be alert to the issues and stand ready to assist (Smyrnios, K. et al. 2003). Dean (1992) reports that in the firms he surveyed two percent 'used mediation', but without further elucidation. Sorenson (1999) identifies successful (internal) strategies for dealing with conflict. Some authors provide useful tips. Levinson (1971) advises sons with problem fathers to read an article and then 'discuss it privately with a neutral third party' (p. 385), and if that does not work to invoke the services of a psychologist or psychiatrist, but we are not told about process or outcome. Sander & Bordone (2006, p.4) advise when encountering family disputes:

> *at the first sign of trouble, consider raising the possibility of hiring a third-party neutral, whether a mediator, a family therapist, a mutually trusted friend, or a business expert.*

Mediation in disputes is a science in its own right giving rise to dedicated literature (Kessler 1978). It has not apparently prompted systematic research into its use by external specialists in relation to family business conflict. This merits attention.

Other issues typically encountered in family business are the subject of narrative or anecdotal treatment but not systematic examination of the application of external advice. As regards sibling rivalry, Hawn's (1999) narrative style is typical of the genre:

> *David Ingram didn't waste a whole lot of time after his father, Nashville mogul Bronson Ingram, died in 1995…*

Family member compensation is seen as at the heart of more family-business questions than any other topic except succession (Aronoff, 1997). Aronoff offers advice, as does Sheehy (2005), but without commending the use of external advice.

These and other issues are the subject of guidance provided in the Family Business Leadership Series prepared by Family Enterprise Publishers, Marietta, Ga. They cover, for example, rules under which family members are appointed to the family firm, their remuneration vis-à-vis that earned by non-family employees; the creation of governance structures that allow representation of family members and shareholders not involved management in addition to those that are; the creation of a family constitution; the creation of family councils; and managing capital and liquidity while retaining control of the business.

It is implicit if not demonstrated in material provided by the European Commission material that the use of external advisers has value. The recommendations of (Mandl 2008) in this regard were later acknowledged in the EC's expert group on family businesses (European Comission 2009) which is discussed further in section 2.8 below.

Practitioners are the authors of much published material attesting to the benefits their services and those of their counterparts have conferred on their clients (Jaffe 1991; Aronoff & Ward 1993, 1994; Astrachan, J 1996; Bork et al. 1996; Jaffe 1998; Jaffe & Lane 2004; Carey, Simnett & Tanewski 2005; Jaffe 2008)). It would be surprising if they argued otherwise. Kets de Vries (2007, pp.271, 275) speaks for many in maintaining

> *Most business families can benefit from professional support in addressing ways in which their family relationships affect their business [and] in disentangling knotty emotional issues…look for win-win situations.*

Advancing the positive does not disprove the negative, but it is for reflexion that no sources discounting or disparaging the use of family business advisers (as distinct from those labelled as pretenders to the art) have been located.

In sum, the value of external advice in addressing family business issues, whether succession, family conflict or rivalry, or family compensation, is well attested to - by assertion or through anecdote. Guidance on the use of external advice is available. Researchers for the European Community identify the provision of governments' support for family business advisory services, and by implication, commend them.

There is a noteworthy absence, however, of systematic study of such benefits, an absence made plain by the lack of inclusion in two comprehensive analyses of the literature on the factors conducive to good performance in succession, a signal issue in family business affairs.

2.6 Small and medium sized businesses and external advice

In contrast to the limited sources of reported research into external advice to family businesses there is literature of widespread provenance on the **extent and the effectiveness of advice to SMEs**. Notwithstanding that some of the world's largest organisations are family businesses, and some in South Australia are substantial - Michell, CMV, Yalumba, T&R Pastoral, Cooper's, Angove's – most family businesses are SMEs ie, in the Australian Bureau of Statistics definition, having less than 200 employees. A survey of Australian family businesses in 2007 found 89% fell into this category; 49% were medium enterprises (20-199 employees); and 40% employed fewer than 20 employees (Glassop, Hagel & Waddell 2007). Put another way, in 2006 Australian family firms comprised 62.5% of firms employing one to four workers and 61% of firms with five to nine employees.

Because of the considerable congruence between the categories of family business and SME data regarding SMEs should have some predictive value. Furthermore, the purposes of this study can be advanced in that much of the research on external advice to SMEs is by way of evaluations of government support for advisory services, often commissioned by governments themselves to assess the effectiveness of their policies. Unfortunately, external advice to address family business issues is not distinguished. There is a further limitation: although the sources cited in this section have as their subject 'advice', their authors are concerned only with that provided by professional advisers, whereas this study seeks to investigate family business propensity to seek and use advice whether paid for or not.

A study conducted by Lambrecht and Pirnay (2005) is particularly useful by reason both of its rigour and also its critique of earlier studies internationally. Their paper is 'a contribution to the somewhat scarce literature on the scientific evaluation of small business polices' (p 89). It 'evaluates public support measures for private external consultants in the Walloon Region of Belgium' in 2005. They found that the program was both effective (ie, in realising its objectives) and efficient (ie, in terms of the relationship between output – result – and input – means involved). While it did not evince improvement within SMEs in hard factors, viz, net job creation, turnover or financial indicators, it had a positive impact on

> *the business organization, the diagnosis of the enterprise, the capacity to solve autonomously future problems, the capacity to discover the real needs of the company, the availability of an external sounding board and management knowledge (p. 105).*

Moreover, Lambrecht and Pirnay (2005, p.104) maintain that, for SMEs, 'most of which are family businesses' continuity and stability are far more important than major quantitative growth. Their study's findings supported those of Robson and Bennett (2000a) who though discerning no significant relationship between the use of external consultants and improvement of the 'hard factors' mentioned above, did so

in relation to the formation of business strategy. Ramsden and Bennett (2005) similarly discovered greater impact in relation to the achievement of 'soft' criteria (improved ability to cope with problems improved ability to manage) than 'hard' (reduction in business costs; increase in business turnover; in profitability). However, Wren and Storey (2002) found marketing advice had a significant positive effect on the growth of turnover and of employment. Chrisman and Katrishen (1994, p. 271) found the counselling activities of the US Small Business Development Center during 1990 and 1991 to be

> *extremely beneficial considering over $3.7 billion in new sales and 65,000 new jobs were generated. Results also indicated that the program generated $2.61 in taxes for every dollar spent for the counseling program.*

The above indicate that issues most amenable to advice were of the less tangible kind (eg, 'the diagnosis of the enterprise'), as are family business issues. Nonetheless, family business issues as such were not reported to have been addressed.

While the efficiency and effectiveness of publicly supported initiatives have been established, empirical success may not be a sufficient justification for those who may question their **legitimacy.** Economic liberals have argued that policies should be confined to the maintenance of broad economic settings and the removal of market distortions. Providing assistance to SMEs (and by implication family businesses) offended

> *general economic principles …that programs of assistance should be available to all industry and should not discriminate between different forms of economic activity (Bureau of Industry Economics 1988, p.19).*

This is argued on grounds of causing distortion such that resources are directed away from more efficient sectors of the economy towards less. It is sometimes fortified by the belief that policy attempts to correct existing distortions are likely to do more harm than good, and, more empirically, but erroneously (vide Komiya & Okuno 1988; Wade 1990) that

> *the view that successful overseas economies owe their success to state intervention is a myth, they have succeeded in spite of intervention not because of it (Stamford, 1992, quoted by Bell, (1993, p.124).*

Such arguments, and counterarguments, may have until recently been the fare of academic economists but they have been largely left behind by practical policymakers. Evidence provided by Bell, which data from OECD (2000) supports, indicates that 'all of the advanced industrial economies deploy a wide range of industry policy instruments', including nominally 'non-interventionist' states like the

USA. Indeed, its Small Business Administration had a budget of USD443m in 2006 and a (concessionary) loans portfolio of USD45bn.

Furthermore, the exigencies of the 2008/9 global financial crisis have called into question the dominant neo-liberal 'paradigm' that accorded legitimacy to government intervention in business development only on evidence of market failure. With the re-emergence of Keynesian demand management as a more dominant paradigm (Davis, JH, Schoorman & Donaldson 1997; Holt 2011) the questioning of governments' active policymaking is likely to recede.

Finally, even if there remained scruples about the award of major grants to industry this has not extended to the provision or the subsidising of information services. For,

> *by tackling information insufficiency (or overload) [they] pass the often-applied market failure test. [Such] policies do not reduce competition but rather help ensure competitive pressures act more effectively: firms with parity of information must compete more fiercely in other regards: by increasing management knowledge or competence the chance of business failure is reduced and hence consequent loss to the economy (Reddrop 1992, p.92).*

The literature on the **disposition among SMEs to seek external advice** is not as plentiful as that on its extent and effectiveness. Ramsden and Bennett (2005) found there was little evidence of a reluctance by SME owner/managers to seek external advice nor scepticism about its value. They contrasted these findings with the more negative responses in earlier studies. Johnson et al (2003) conducted a multivariate probit analysis among a large number of South Yorkshire firms to identify associations between taking advice and other factors. 'Orientation towards growth' and 'existence of recruitment difficulties' proved the strongest. It did not seek, however, personal information about respondents. Nor did it distinguish family businesses. Robson and Bennett (2000b) found that size and growth orientation were 'explanatory variables' for use of external advice, while profitability exhibited a negative relationship with use of advice suggesting that help was sought when in difficulty. But while these associations may be explanatory in the statistical sense they do not elicit the motivation, the influences, and the triggers that prompt the seeking of advice. Bennett and Robson (2004) speculated that 'institutional trust', ie, that deriving from membership of business or professional organisations, may stimulate greater willingness to seek services from external suppliers, but they did not offer evidence of this. Given a decision to seek the services of management consultants, SME clients were found by Bennett and Smith (2004), through a survey of British management consultancy organisations, to have relied frequently on 'a network or personal contact'.

In sum, this section has indicated that the use of external business advice is beneficial to SMEs, identifying areas of particular effectiveness. It illustrates the effectiveness

and efficiency of government supported advisory initiatives. But though beneficial outcomes of advice are more clearly demonstrated in relation to 'soft' issues (of which family business issues partake) no explicit examination of outcomes in relation to family business issues is reported. Less research is available on the triggers of demand for external advice. Indeed, Tanewski and Carey (p.7) have concluded, after a review of the empirical literature, that there is no established unifying theory explaining the sources of demand for business advice.

As indicated such systematic data as exists on the use of external advice by SMEs has no counterpart in relation to family businesses.

2.7 The accountant's role

External advice provided by accountants merits separate attention: on grounds of its prevalence to both family business and SME clients (see tables 2.2 and 2.3 above), because of uncertainty as to its nature, and because external accountants, being employed by most businesses on a continuing basis, can act as 'gatekeepers' in the engagement or the exclusion of other advisers. As an interview respondent (A28) was to put it, 'if company resources are limited, I (the accountant) will get my fee first'.

Glassop (2006) found that 86% of family businesses used accountants as external advisers. While Stone (2010, p.236) draws on previous research (Berry 2006, Jay & Schaper 2003, Bennett & Robson, 1999) to establish that the accounting professional is the small business sector's principal external adviser.

But about what do accountants advise their small business or owner-manager clients? Research suggests that it predominantly concerns compliance (tax returns, statutory reporting). Kirby and King (1997, p.301) found, in Great Britain,

> *to a large degree [that] while accountants are the most frequently used of all the various support agencies…they are not considered a source of advice pertaining to more broad-based management issues.*

Berry, Sweeting and Goto,(2006, p.38), also referring to UK data, concur:

> *The role of external accountant was still narrowly defined for many small owner-managers…with 70% of respondents using their external accountants for statutory advice (only).*

Carey et al, (2005) found that 97% of SMEs in Australia purchased accounting and/or advisory services from their external accountant, for which 17% (only) of the fees related to 'business advice'. Among types of business advice purchased were 'planning and review of publications' (38% of total) and 'systems reviews' (26%).

Engagement on compliance matters can effect good relationships which may lead to employment on management matters. But while this was found to be so in a British survey, accountants appeared to be more convinced of the link than their clients (Kirby & King 1997). A later – Australian - survey portrays accountants having more extensive scope: more than a quarter of the small business owner managers surveyed by Stone (2010, p.236) communicated with their accountant for business support and IT related advice:

> *This implies that a not inconsiderable segment of owner-managers consider their accountant to be a business adviser,*

and that 'they may perceive the advice of other advisors is unnecessary'.

How competent are accountants to advise on matters other than compliance? Competence in the provision of 'business advice' was rated lower than that for 'professional services' by the respondents to a survey (in Norway) by Gooderham at al. (2004, p.5). They found that 'while some small firms make extensive use of external accountants as business advisers, a substantial proportion uses them only to a minor degree.'

Interesting though it is to discover the degree to which the services of accountants extend beyond compliance, existing analyses do not extend to their use by family businesses generally or in relation to family business issues in particular. Moreover, it is not certain how many accountants possess the skills required of an adviser to family business about family business related issues. These skills are cogently differentiated by Goodman (1998, p.349) who describes:

> *qualities and characteristics that distinguish members of the "new profession" from individuals who may lack necessary prerequisites. [Some] business advisors have been challenged to educate* th*emselves beyond the traditional parameters of their profession of origin to provide competent and holistic advice to their family business clients.*

While accountants training and methods of operation:

> *frequently lead them to believe their client requires a 'package solution' to their problems rather than educating their client and enabling his/her to identify his/her own solutions* (Kirby & King 1997, p.302).

American CPA members are advised to be aware of the variety of roles they may play in advising family businesses, in particular on succession: they can be the primary consultant, they can be a member of a team of consultants, or an adviser outside the process (Chrisman et al. 2009). It is not known how widely understood or acted upon is this advice there – or in Australia.

To conclude, this section notes the relative and absolute prevalence of advice sought from external accountants who tend to be engaged on a continuing basis, but indicates that the greater part of this advice is for 'compliance'. It does not throw light on how much was used for tackling 'family business' issues, though it evinces questions about how well qualified accountants are to deliver them. It does not address the 'gatekeeper' issue raised in section 2.5 which my direct knowledge of family businesses suggests is worthy of exploration.

2.8 The role of the public sector

This section provides some background for later discussion – in Chapter 4 – of public policy implications of providing advice to family business, the third of the thesis's questions stated in section 1.4.

The role of governments in providing advisory services to family businesses has not been well documented. Notable sources are those initiated by the European Commission (2002, 2009) and the research it put in train (Mandl 2008). International efforts to recognise and address the issue of SME 'transition' were mentioned in section 2.5.6 above. The EC carried out research into the issue of SME 'transfer' or succession; published recommendations to member governments, many of which related to the creation and maintenance of advisory services; investigated the degree of follow-up; and issued a guide to good practice (European Commission 2002, 2003, 2006).

Specific family business issues were addressed by the EC in later studies. A thirty-three-nation study coordinated by KMU Forschung Austria (Mandl 2008) for the European Commission described how governments, employers' associations and 'family business specific organisations' were addressing family business issues. Of particular relevance to the present study are recommendations about providing subsidised or free advice to family businesses, and in particular to entrepreneurs 'close to retirement age'. In this regard, an initiative by the regional government of Valencia in collaboration with a regional family business network was commended: financial support was provided to firms for the employment of 'a multidisciplinary team of consultants' (Mandl 2008, p.102).

The UK's Department of Trade & Industry, stimulated by the EC, commissioned a report from Durham University Business School to investigate the evidence from UK and overseas literature on business transfer issues and to gather opinions from government and industry on the topic (Stone, I, Allinson & Braidford 2004). The study posed questions about the competence and independence of accountants, brokers, and others involved in the process of business transfer support, and whether they possess the skills to address the "softer" relationship areas of coaching mentoring, management and conflict resolution. It provided no answers.

Scottish Enterprise, an industry development agency of the Scottish government, surveyed the needs of family businesses and in response sponsored the formation of the Centre for Family Enterprise in Glasgow (Gordon, McCracken & Murray in Kaslow 2006).

Support for family businesses by the government of South Australia has been noted by Craig & Moores (2010). It included the appointment of a 'Family Business Thinker in Residence', Dr Dennis Jaffe, in 2007, and the employment of a dedicated family business adviser. He recommended the creation of a 'cadre of advisors' and a 'community of family business elders' (Jaffe 2008, pp.44-46). These will be referred to further in the Findings, Chapter 4, as will the activities of its agencies, the Business Enterprise Centres and Regional Development.

2.9 Gaps in the empirical research

In view of the size and significance of family business within the economic community, the research that, latterly, has been devoted to it and the apparent influence that external advice can bring to it, the research gaps in this area of study are many – and hard to account for. This provides a rationale for the present study which adds to those which initially stimulated it - and which are set down in Section 1.1 of the Introduction.

In seeking to answer my central research questions on the propensity of family business people to recognise family business issues and to seek external advice the 'parent' literature of family business advice and 'close relative' of SMEs leaves many gaps. They can call upon no general theory of the family firm. Practitioners from their accumulated experience have listed reasons why family business people may resist the seeking and taking of advice on family business issues, but they are mainly in the form of assertion and anecdote rather than through systematic study, and without evidence made explicit.

Rich material is presented on psychological characteristics of entrepreneurs, and family business founders in particular, pre-eminently by Manfred Kets de Vries, as predisposing against taking external advice. It raises questions, however, about the prevalence of the stereotype portrayed.

The extant literature provides descriptions of the use of external advice by SMEs and its effectiveness and client attitudes towards it, but specific to family business issues.

Reluctance to seek external professional advice may arise through the perceived or actual shortcomings of its providers, and these are explored. It may arise through incompatibilities of thought processes or communication between adviser and client. But in the literature the voice of the potential user is not heard.

Of the challenges family businesses confront, that of succession has arguably attracted the most attention from researchers and practitioners. But it may be thought remarkable that while many variables associated with effective succession have been researched and analysed, that of the use of external advice is not among them, even while practitioners attest in copious but largely anecdotal material to the benefit their advice and that of their counterparts has wrought. This lack persists in relation to other family business challenges.

Nor does the literature explore the readiness of family businesses to recognise they have family business issues as a precursor to engaging external advice. While associations between company characteristics, like size or growth, and the use of advice and its field are located, eg, through probit analysis, and described in a statistical sense as explanatory variables, the studies concerned often leave doubt about the direction of causality, and certainly yield no information about the clients' motivations, the triggers, the inhibitors, the lack of knowledge surrounding decisions – or their absence - to seek advice.

Strike (2012b, p.161) finds that, 'choosing advisors is one of the most overlooked topics [in the literature on family business advising], yet choice is critical to ensure an effective advising process' . She commends 'further research to understand the process of choice and how that process is linked to advisor type and attributes'.

The widespread use of accountants by family businesses is well documented. But this does not extend to distinguishing the nature of their advice (whether or not about family business issues) nor its quality. Nor is there exploration of the willingness of accountants to encourage or discourage the use of more specialist advice when the clients' needs may call for it: in other words, whether accountants act as a 'resource' or a 'gatekeeper'.

Peers are shown to be a significant provider of advice to family business people, but not specifically in relation to family business issues.

Aside from documentation of the European Commission, the work of governments in support of their family business sectors has yet to be chronicled.

2.10 Relevant theories

In endeavouring to close some of the gaps I call on certain bodies of knowledge which may help to illuminate stretches of the path ahead, but they will not 'encase' the study. While the literature review for positivists may set the course for subsequent research, for others, a theoretical framework should not 'nail things down too firmly' (Reason 2008, p.1373). The theories comprise; institutional theory; theories surrounding social capital; those relating to trust; and aspects of theories of knowledge creation. Other theories tempted, but I was conscious of the advice of

Pieper & Klein (2007): 'too many theoretical perspectives may lead to confusion rather than to greater insight'. The selected theories will play a subsidiary role in the research since my experience as a practitioner has led me to believe that principal insights will be gained inductively from those engaged in practice whether as family business owner, manager or adviser. This emphasis is lent credibility by the concepts of Donald Schön (Schön 1991, p.68) who saw the source of research in practitioners' 'reflection-in-action' as distinct from reliance on 'categories of established theory'.

2.10.1 Institutional theory

Institutional theory can trace its origins to attempts to understand the nature, the origins and obligations due to governing institutions. Like many disciplines it can claim origins in Aristotle. His concern was to guide those who were asked to prescribe new constitutions for the city states. The lineage continues through Thomas Aquinas; to Richard Hooker – with his concern to justify the status quo in terms of laws, divine, natural and human; to Thomas Hobbes – seeing in the laws of nature justification for greater sovereign authority to check human waywardness; and John Locke – appealing to the same laws of nature to 'preserve and enlarge freedom'. As a subject of active discourse it slept for some centuries (Peters 2005).

But in the 1980s, writers, claiming affinity with the classical texts, generated fresh interest in the study of institutions. The term 'new institutionalism' was adopted, first by March and Olsen (1984, p.747) who, while disclaiming the creation of a new theory, admitted to an

> *empirically based prejudice, an assertion that what we observe in the world is inconsistent with the ways in which contemporary theories ask us to talk.*

They observed a groundswell of interest in political institutions, in studies of the origin of the state in part provoked by Marx, but also a corresponding interest in institutions among economists, anthropologists and sociologists. The questioned theories, the product of a 'behaviourist revolution', enjoined one to regard economic actors, 'rational utility maximisers' (Peters 2005, p.13) as motivated by conscious, calculated self-interest, and that collective action depended solely upon the interactions of individual actors: 'outcomes at the collective level depend only on the intricacies of the interactions among the individual actors' (March & Olsen 1984, p.4).

In the new thinking institutions came to be seen as actors 'behaving' in their own right (North 1986). New institutional theorists have, since, become a diverse community. Normative institutionalists would emphasise how institutions shape individual behaviour through the power of values and norms, they include the 'founders' of the school, March and Olsen. They have, probably, the most to say of relevance to industrial institutions. Rational choice institutionalists see behaviour as

a function of rules and incentives. Historical institutionalists maintain that initial policy choices determine subsequent decisions and emphasise the power of path dependency. All, however, are united in a 'common skepticism towards the atomistic accounts of social process' (Peters, 2005, p. 12), and, it might be added, towards a belief in the rationality of the actors' decisions, in their quest to maximise individual benefits.

Institutional theorists have been intrigued by the power of uncritically assumed justifications for action (Zucker 1987), as also for also the *fallibility* and the devious nature of human intent:

> *administrators and politicians champion programs that are established but not implemented; managers gather information assid*uously *but fail to analyze it; experts are hired not for advice but to signal legitimacy (Powell & DiMaggio 1991, p.3)*

Institutional theory identifies processes that can take place at the individual level, the organisational level, and the interorganisational level (institutional 'fields'). At the level of the organisation the theory could provide insights into the nature of non-rational behaviour in businesses, to which family businesses may be especially subject. It qualifies the extent of rational decision-taking in (family) businesses. Thus, Oliver (1997, p.699):

> *Institutional theorists emphasise the extent to which firm behaviour is compliant, habitual, unreflective and socially defined, [bound by] cognitive sunk costs, eg, a firm's reluctance to digress from its founder's vision; institutional activities being those actions that are enduring, socially accepted, resistant to change, and are not directly reliant on rewards.*

Enlisting institutional theory in the expectation that it may illuminate the search for answers to this thesis's research questions is supportable on a number of grounds.

The theory's help in understanding family business behaviour is being increasingly recognised among scholars (Leaptrott 2005; Melin & Nordqvist 2007; Chirico, FN, M 2010; Parada, Nordqvist & Gimeno 2010). Personal experience prompts its use: the behaviour institutional theory describes, for example as related by Oliver, is recognisable as occurring among family business people known to the researcher as an adviser to family businesses. I instance the example of an engineering firm in which the founder and retiring CEO's objectives were preservation of the firm's goals, activities and ethos in transferring the business to his son; not those of profitability or growth. The theory's 'real life' behaviour contrasts with that assumed by proponents of agency theory, 'the prevailing theoretical foundation for family business research' (Pieper 2010, quoting Chrisman et al), an 'outgrowth of rational choice theory that people only pursue their own self-interest (i.e maximise the expected utility of an outcome)' (Pieper 2010, p.28 ,citing Eisenhardt, 1989, and

Jensen & Meckling, 1976). This motivation is scarcely recognisable among family business owners who are not driven exclusively or chiefly by strictly economic goals (Schultze, Lubatkin & Dino 2000; Chua, Chrisman & Steier 2003; Chrisman, Chua & Sharma 2005; Holt 2011).

A reluctance to seek external advice may have been a characteristic of the entrepreneurial family business founders, and may have been 'institutionalised' within the firm. Family business people particularly have been found to identify with 'reference figures', hampering their ability to dissociate themselves from traditional thinking and strategies and making adoption of change more difficult (Roessl 2005).

The 'institutions' described have been defined as:

> *Those social patterns that, when chronically reproduced …support and sustain the pattern, furthering its reproduction – unless collective action blocks, or environmental shock disrupts, the reproductive process (Jepperson in Powell & DiMaggio, 1991 p. 145).*

These patterns may be persistent:

> *As feelings and emotions related to change are intense in family businesses, managers should expect high level of resistant to change (Chirico, F & Salvato 2008, p.179).*

On the other hand they may atrophy. Schein (1990, pp.116-117) finds that founders' beliefs, values and assumptions do not always persist. They may in fact do so where there is a 'custodial orientation', a conformity with all the founders' norms. But they may be subject to 'creative individualism', where the newcomer, at the least, modifies peripheral assumptions. Or there may be rebellion, total rejection of all assumptions, an outcome posited by Chirico and Nordqvist (2010, p.502), (but not investigated by them).

Where inertia persists, however, it may be that new, beneficial thought and action by family businesspeople is more likely to be prompted, 'shocked', by peers subject to the same conditions, possessing similar characteristics than by 'experts' purveying 'rational' solutions. If these peers are seen to be more successful then mimetic influences could come into play (Kondra & Hinings 1998). Such influences may be transmitted via membership of institutions like FBA. Parada, Nordqvist and Gimeno (2010) have found that a voluntary family business professional association can exert 'mimetic and normative' pressures on their members to reform values and practices. As institutional theory recognises the power of government, professional associations and 'other external constituents' to 'define or prescribe socially acceptable behaviour' (Oliver,1997 p. 706), it may therefore be usefully brought to bear in examining how, specifically, Family Business Australia and the South Australian government can stimulate new thinking among family businesses, specifically in the encouragement

of the use of external advice. A method favoured by FBA for arousing constructive thought is the use of 'war stories', experiences good and bad in dealing with family business issues as told by members to their peers. This method may have greater theoretical justification than its proponents are aware of. Studies in a field termed cultural entrepreneurship have demonstrated the power of entrepreneurial stories to enhance the tellers' legitimacy and status (Lounsbury & Glynn 2001). It entails 'the construction of effective stories that are rooted in an entrepreneur's extant stock of resource and institutional capital' (p. 560). The exchange of stories allows participants to develop a 'new collective story through which they can become a new learning system' (Washington et al in Greenwood et al 2008, p. 725).

An effective story must logically affect the listener. So it would be productive to examine the 'reciprocal' of the teller's influence and discern how listeners have received the intended messages and acted upon them.

Organisational fields (family business being construed as such) are said to be subject to 'an inexorable push towards homogenization' and can bring about 'startling homogeneity of forms and practices' (DiMaggio & Powell in Powell & DiMaggio, 1991, p. 64). The authors express surprise not in the heterogeneity of businesses but in the ways they are driven to become more similar to one another. This occurs by the influence for conformity exerted on firms by the government, professional organisations and other external agents. It is acknowledged that the institutionalising process is 'recursive', exhibiting reciprocal influence between the political level, the 'organisational field level' (eg family businesses) and the institution (business) (Dillard, Rigsby & Goodman 2004).

In this regard a study of the characteristics of Taiwanese companies is instructive (Orru, Woolsey Biggart & Hamilton 1991; Fukuyama 1995). The prevailing ownership pattern in Taiwan is one of private family control. It may be doubted that Taiwanese/Chinese company founders and entrepreneurs are any less individualistic than Australian. Yet a high degree of isomorphism in organisational patterns of ownership and management is to be discerned there. The authors conclude that it is the social institutions, commonly the familial network, as distinct from the technical environment, that 'limit and direct' the development of 'fit organizational forms' and modes of operation.

Institutional theory can also be acknowledged as a useful counterweight to the cogent psychoanalytical explanations of the behaviour of entrepreneurs ('self-made prisoners of their past') presented by Kets de Vries (1996a, p.878) and echoed by Leach and Bogod,(1999, p.14) whose decisions are 'very much driven by an individual's deeply-rooted "inner theatre"', key words being 'insularity' and 'complacency'. (Kets de Vries was in turn reacting against the 'almost complete absence' of psychoanalytical case material in the study of entrepreneurs, in contrast

to that presented in the disciplines of economics, sociology and anthropology). But to follow them unmindful of other lines of thought would be to abandon hope of achieving engagement, of modifying entrepreneurial behaviour once solidified during upbringing. One might adopt the term, 'permeability' as a measure of the propensity and capacity of family business owners to absorb new norms, new practices, in particular those of institutional provenance.

In sum, institutional theory, as newly revived, allows for the behaviour of individuals to be seen as rooted in the organisation(s) to which they belong; and the behaviour of organisations to be influenced within the wider 'organisational field' they inhabit. Insofar as a disinclination to turn to external advice exists among entrepreneurs, particularly family business founders and patriarchs, the influence of peers, alone, or in the representative bodies to which they belong, may modify this reluctance, as may influences which may be exerted through public policy. The extent of this influence and its potential to exert further pressure will be investigated and chronicled in Chapters 4 and 5. The mechanism for doing so may be discerned through some study of the forces associated with social capital.

I acknowledge the affinity of the concepts employed in the study of institutions with those in the study of networks, the currency of social capital. They have remained largely segregated: a need to recognise that they are 'co-constitutive' being powerfully argued by Owen-Smith and Powell in Greenwood et al (2008). The same authors commend further exploration of the duality between 'relationships (the building blocks of networks) and categories (the building blocks of institutions)' (p. 616). I set out to make a modest contribution in the field of family business.

2.10.2 Social capital

'Capital' was a notion popularised by Marx denoting surplus value appropriated by the employing classes. Its use was extended to the non-material, eg, human capital, and to non-monetary goods like education. The modern use of the term social capital is attributed to Pierre Bourdieu, subsequently paraphrased by Nahapiet and Ghoshal (1998, p.245) as:

> *the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit.*

Its recent popularity in sociology has prompted scholars to attempt a curtailment of the use of a term, which exhibited 'looming dangers' of becoming meaningless through its 'increasingly diverse' application (Portes 1998; Lin 2001). Obligatory attributes are firstly structure, eg, a network, and secondly, resources, be they information, the capacity to influence, the endowment of credentials or the reinforcement of the participants' identity. Controversy remains as to how loosely (friends, colleagues, general contacts (Burt 1984)) or tightly (membership of a defined

structure (Coleman 1988)) the network was to be constituted. In the business context the second seems more appropriate.

In business, social capital is seen to confer 'most important direct benefits: access to new sources of knowledge' (Inkpen & Tsang 2005), which can be acquired relatively cheaply (Coleman 1988). In the family business context it helps an understanding of how CEOs find their resources. Social capital theories could provide promising routes to an understanding of how new attitudes can be formed, new skills acquired and, pertinently, to the modifying of non-rational behaviour as discussed in the previous section. Empirical evidence is plentiful on the power of social capital and its utility when fostered by government or public institutions. Some examples are:

Executive Link™: Kilpatrick (2002) describes how Australian farmers, with prior training, came together in 'boards' that facilitated learning and change in acquiring new skills and raised confidence in using them and in supporting others encountering similar challenges.

US university-linked family business institutes (centers): pioneered and exemplified by Kennesaw State College Family Business forum in which 'family business members …develop their understanding of family business in a comfortable setting that enables them to learn from one another, from nationally renowned experts, and from local practitioners' (Astrachan, J 1996). The concept is advanced in the 'Holistic Model' at Stetson University (McCann & DeMoss 2000) in which the functions of research, 'extension' and teaching are brought together. Some 110 centers were created (Sharma et al. 2007).

Verbanswesen (Germany), *Wirschaftskammer* (Austria), *chambres de métiers* (France, Belgium): membership of which being compulsory, knowledge is widely disseminated. (They have no close equivalent in 'Anglo' societies).

In South Australia, a 'Business Owners' Coaching Program', organised and subsidised by government. A variant exclusively for family businesses was proposed.

In Australia, including South Australia, a Commonwealth-supported 'Springboard Business Development Program' in which people from small businesses are brought together in groups to gather and try out ideas learnt from other people's experiences and find creative solutions to key business problems.

Family Business Australia's Family Business Forums: a powerful concept though with limited reach so far.

In 1997 the Australian government were engaged in an intervention, the Business Network Program, to encourage SMEs to form networks. Dean, Holmes & Smith

(1997) undertook an early survey of SME attitudes towards it. Manufacturing participants discerned fewer benefits than service companies and expressed reservations particularly in regard to confidentiality of information and its possible abuse. However, great interest was expressed in joining networks among those not already enlisted. In a study of the moderating role of trust in SME owner/managers' attitude to networking, Brunetto and Farr-Wharton (2007) found less enthusiasm. They asserted that Australia is not a country in which 'business collaboration happens naturally'. Also that those who had expressed doubts about networking may have been involved in it for too short a time for trust to have developed. Success is not guaranteed, however, nor universally achieved. The Danish government's attempts at 'shotgun marriages' to promote industrial clusters are reported to have failed, disrupting existing 'natural' networks, and attracting 'devastating' evaluations (Cooke 2002; Neergaard & Ulhoi 2006). And where governments seek to promote the growth of social capital through development agencies, beneficiaries can be limited to 'a rather exclusive in-group', 'a few favoured, receptive and exclusive firms' (Cooke 2007, pp.103, 104). This arises because public policies agencies cannot cover the field but favour receptive firms in only sufficient numbers to enable them to 'tick all the boxes' in their self-assessments. Those firms thus favoured, however, were able to achieve goals such as facilitating innovation, and moreover, recognised the contribution of the public policies in doing so (Cooke & Wills 1999). Governments and other agencies would need to work harder to encourage cooperation implicit in social capital among family businesses than among other businesses if a hypothesised reluctance to cooperate (Roessl 2005) is borne out empirically. The evidence of Family Business Australia's success in generating cooperation between member firms would cast some doubt on it.

The relevance to the present study of the research cited above is as follows. Firstly, there is to be found enthusiasm among Australian firms for networking. Secondly, concerns about breaches of confidentiality that may occur relate to collaboration or potential collaboration in commercial endeavours, whereas networking to explore family business issues would touch on such issues tangentially, if at all. Thirdly, trust is an essential component of successful networking (and some of those surveyed had been networking for an insufficient time for trust to have developed). Finally, evidence about useful outcome deriving from government induced networking is mixed. Research on the value of networking to explore family business issues appears yet to be undertaken. The theoretical base provided by the work of Dean, Holes & Smith (1997) would serve such an endeavour well.

Theories of social capital and 'networks of relationships' are in step with models of advice and support as commended by Dr Dennis Jaffe, 1997 Adelaide Thinker in Residence, in his report, (2008) and also in a series of 'tutorials' in which family businesspeople, educators and advisers participated. He terms the models, 'communities of learning', and, with acknowledged debt to Kurt Lewin (1947),

contrasts traditional expert-delivered instruction with a style of education based on shared learning in which every member of a community is a resource to others. He maintains that engaging a group in discussion rather than providing specific instructions helps a group to accept the need for change.

> *Traditional management education begins by offering information and teaching skills for a clear professional role. In contrast, a learning community takes as its starting point the mindsets and assumptions that people bring to the learning situation.* (Jaffe, tutorial paper, 2007).

Cognate with the above models is the idea of a 'community of elders', as proposed by Jaffe (2008, p. 46); elders being those who are 'emerging from exclusive focus on their own family business, to take a role in the wider community'. They could

> *help create other family networks, groups of businesses getting together to learn and grow… act as mentors and coaches helping a family move through a tough spot or crisis, and …help to train and sensitise advisors to their unique problems as family businesses.*

And if fear of mortality stands behind much failure to consider succession and related vital issues, how well qualified to advise would be those who have 'faced up' and 'moved on'. A community of elders could also offer exciting late career prospects for family business founders who for lack of such opportunity cling de facto to roles they have nominally ceded to the next generation.

There is a very considerable and growing body of research on client-management consultant relationships matching the claimed expansion of the consultancy 'industry' since the 1980s (Sturdy 1997; Fincham 1999; Hislop 2002). Consultants are portrayed as the powerful, and often nefarious, partner. Latterly, the focus has switched from the role of consultants in stimulating business to the role of the client company in shaping the relationship. Hislop, for example, examines the way *staff* (my emphasis) from client firms were influenced in the engagement of consultants by their 'embeddedness' within social relationships inhabited also by the consultants. This body of research appears remote from the world of owner-managers. Nevertheless, its concern with social relationships parallels discourse about social capital: any extension of this line of research which engaged with family business would have relevance to the present study.

Family businesses have been found to have benefited from social relations and contacts established by the family and that such businesses thereby have a higher level of social and business networks than in non-family firms. Moreover, family firms are reported to have gained more value from alliances than non-family firms (Sirmon & Hitt 2003; Mandl 2008), though Wilder in McCann and DeMoss (2000, p.75) asserts otherwise, claiming less frequent interaction by family business owners with their peers compared with those between leaders of public corporations. Recent

research indicates that family firms' success, in terms of creating financial value over generations, derives not from unique resources they may possess (the core of resource based value theories) but principally through the systematic use of social networks and the skill applied in constantly reshaping them in line with the needs of family and firm: a capacity termed 'dynamic family capability' (Salvato & Melin 2008). In a complex web of associations examined by Donckels and Lambrecht (1995) family businesses are found to have more (valuable) contact with national entrepreneurs, given certain other variables, than non-family businesses. Furthermore, it has been claimed that family businesses benefit from the family's **own** social capital such that it increases the business's self-sufficiency and lessens its need for advice from external sources and other 'proximate institutes' (Sirmon & Hitt 2003; Arregle et al. 2007).

Summarising, social capital is a concept well-equipped to help understanding of the capacity of businesses to gain knowledge through networking and other connexions, eg, those of kinship. The creation or support of networks by public institutions is shown often but not universally to be beneficial. In the context of the present study networking could help overcome reluctance of family business participants to seek external advice. More, it could in itself be the medium for the transmission and inculcation of that advice.

2.10.3 Trust

Some authorities (Coleman 1988; Fukuyama 1995; Putnam 2000) more or less equate trust with social capital, or see it as a necessary precondition for its acquisition, or regard it as a means of measuring social capital, or as a 'bridging concept' to enhance understanding of the unique nature of family firms (Eddleston et al. 2010). Recent discourses referred to in the institutional theory section have a parallel in scholars' examination of trust. That is to say, strongly prevailing views of trust from an instrumentalist, calculative point of view have been under challenge. Such a stance springs from a rational choice view of motivation, represented in Williamson (1993) with its focus on the effects of self-interested individuals to achieve optimal outcomes in interaction with others. The view has been challenged by scholars who observe relational and affective generators of trust. These are seen to be especially powerful in the collective context where *identification* with a group enhances trust (Kramer & Tyler 1995). An energetic attempt by Rousseau et al. (1998) to discover overlap and synthesis between divergent views, in the cause of which they 'stacked the deck' to reinforce 'cumulation of insights', does not smooth away the differences, engendered perhaps as much by the authors' temperament as by their discipline.

There are a number of propositions from the general study of trust which have application in my particular area of study. Thus Rousseau et al.(1998, p.395) cite many authorities in order to arrive at a definition of trust, viz, 'a psychological state

comprising the intention to accept vulnerability based upon positive expectations or behaviour of another', and this is serviceable for the purposes of the present study. Again, Nahapiet and Ghoshal, (1998, p.13) summon diverse authorities to arrive at the unsurprising proposition that 'where relationships are high in trust, people are more willing to engage in social exchange in general and cooperative action in particular'. This also could be accepted as a given for the purposes of the present study. Currall and Inkpen in Bachmann and Zaheer (2006, p.239) state that the acquisition of trust is 'slow and incremental', a proposition I qualify below. Finally, Rousseau et al. maintain (p.12) that 'context is critical to understanding trust', and that precept should preoccupy future empirical research. Complying, therefore, I leave the abstract high ground in seeking illumination of trust in the context of family business/adviser relationships.

Trust appears to be a necessary component of a decision by family businesses to engage an adviser for work, certainly of a substantial kind (Bennett & Robson 1999b; Kets de Vries, Carlock & Florent-Treacy 2007). The bestowing of trust, in this context, requires maturation, often lengthy (Bork et al. 1996; Steier 2001; Sundaramurthy 2008; Tanewski & Carey ND). It results from 'accumulated experiences over time (Maister, Green & Galford 2000, p.23). It can be developed through cautious steps, entrusting the adviser first with small matters (Kaye & Hamilton, 2004; Kets de Vries 1996a). Correspondingly, an adviser who goes in 'too far, too fast' can 'rue their action' (Kaye & Hamilton 2004, p.6). Trust can be consolidated through 'repeat interactions taking a tremendous amount of time' (Sundaramurthy 2008, p.93), or as the amount of communication increases (Golembiewski & McConkie 1975). In this regard the position of the firm's external accountant with whom there is a continuing relationship can be significant (see section 2.7), though Aronoff and Ward (1994, p.13) warn of the dangers: 'at the extreme, families may rely on a loyal advisor as a manager of last resort. That can be tragic…' Other dangers may arise through a trusting overreliance on the overconfident or the 'heuristic' (Zahra, Yavuz & Ucbasaran 2006).

Initial compatibility, affinities and shared values, interests or history may abridge the process. Ward and Aronoff (1991, p.24) acknowledge the potency of sentiments like, 'I knew your father'; 'I know your values'. Bennett and Robson (2004), in more abstract terms, note the value of 'social networks and prior personal relationships which rely on trust' in the choice of supplier, particularly because of the accompanying assumptions and obligations which can be used in the control of performance. They found, moreover, that a higher level of trust stimulates a greater willingness to seek services from the external supplier that can offer it, as well as a greater receptiveness to the advice when given (Feng & MacGeorge 2006). Bennett and Robson quote Storey (1994) who found that trust was particularly relevant for SMEs 'who have been traditionally more reluctant to take up opportunities for

external advice (p. 474). It is also relevant in regard to familial and kinship ties (Zahra, Yavuz & Ucbasaran 2006).

Bennett and Robson (1999b, p.164) identify 'professional trust' adhering to accountants and solicitors 'supported by government-backed self-regulation'.

But some incompatibilities between client and would-be adviser may be too hard to bridge. Nicholson (2008, p.107) speaks of entrepreneurs:

> *shaped by a motivation for independence, intuitive decision-making [preferring] informal, experiential modes of learning [while the consultant is] taught by pedagogic methods designed to inculcate the goals of formal rational analysis.*

There may, however, be another way in. That is, the adviser may be introduced by a 'trust catalyst', an individual well established in the literature (LaChapelle & Barnes 1998; Kaye & Hamilton 2004). She (most often 'she'), is a person who helps to create higher trust within the family and whom an adviser should seek out. The contact may be made by family members, other than the CEO, who are experiencing pain and towards whom the entrepreneurs (sometimes 'angry, determined men' (Levinson 1996, p.529) have been unresponsive. This may come to light when, as intended, I conduct some interviews with family members other than the chief executive.

The foregoing chiefly relates to the perspective of the trust-giver, the client. But the would-be adviser receives counsel on how to build and develop trust in his or her clientele, comprehensively by Maister et al. (2000). A resolution to listen to the client and demonstrate that he/she has been heard and understood is paramount. The understanding must not be feigned but arise from an empathy and a concern and wherever possible a genuine liking for the interlocutor (see also Hilburt-Davis & Gibb Dyer 2003, p.97). Hearing alone is insufficient: ability to detect what the client is feeling must be cultivated. Understanding the client bestows the right to advance views with which the client may disagree. Forgoing the inclination to prejudge, but remaining open-minded as to the client's motivations and beliefs are enjoined. Maister's advice is distilled in a so-called Trust Equation, the terms of which are credibility, reliability, intimacy (all positive) and self-orientation (negative). The Equation will be employed critically in the study's field research both to help structure inquiry and to form a view as to its validity (Section 4.8.5).

In sum, trust, entailing assumption of risk, engenders the creation and growth of relationships, between family business client and adviser, as with relationships generally. It is seen to be slow to mature, relying on repeated interactions and the accumulation of contact between client and adviser. It can be fostered by the client offering modest assignments and building upon them if expectations are met. Trust-building can be abridged through kinship and possession of shared values. It can be

impeded by differences in temperament, training or background between client and would-be adviser. It can be advanced through the sympathetic intervention of members of the family other than the CEO, (including trust catalysts). The adviser can develop strategies to create and maintain trust. They call upon emotional as well as operational and technical capacities – about which Maister provides comprehensive guidance.

2.10.4 Knowledge creation

By knowledge creation, I signify middle range or propositional theory (Whetten & Reay 2011) pertaining to organisations, not grand or paradigmatic theory at the level introduced by A J Ayer (1956) and his intellectual successors. The relevance to my thesis to this area of study is signalled by Jaffe (1998) in his description of 'communities of learning'. He writes of the growth of such communities or networks in the United States in which 'every member …is a resource to the others…assuming that everybody has important insights and experience to share' (p. 365). He contrasts this concept with 'traditional education' in which the learner is passive, presented with answers from an 'expert'. He draws on the work of Argyris and Schön (1996) who develop the concept of transformational or 'double loop' learning in which absorption of new knowledge is apt to change the recipients' values and norms. Professionals and clients alike are learners.

The process described so far is that of knowledge transfer. But it can encompass knowledge creation. Polanyi (1966) first drew the distinction between explicit and tacit knowledge. The latter comprehends knowledge gained by sensory as well as conceptual information, which is not necessarily capable of being codified and may not easily be conveyed by verbal expression. 'We can know more than we can tell' (p. 4). Through dialogue, however, tacit knowledge can be articulated in a kind of 'mobilization process' and become 'a key factor in the creation of new knowledge' (Nonaka 1994, p.16). Such a setting can become, in the term used by Nonaka and Toyama.(2003, p.3) a *ba,* meaning a knowledge creating place, that is, one where knowledge can be articulated and shared with others For this to happen there must be some form of shared, prior experience, for:

> *the mere transfer of information will often make little sense if it is abstracted from embedded emotions and nuanced contexts that are associated with shared experiences* (Nonaka 1994, p.19).

Nonaka also commends the sharing of narratives and 'war stories' as a means of making sense out of 'confused data' (p. 24).

The foregoing may, therefore, deepen insights into the processes of learning by family business people from peers and in particular where structures have been created, for example Family Business Forums, *qua 'ba',* to facilitate and distil useful

outcome, and also where opportunities have been provided for family business people to relate their stories (as in FBA events).

From the same theoretical rootstock have grown ideas about how consulting practitioners gain knowledge. Schön *(passim)* maintains that their knowledge is not dependent on 'categories of established theory and technique 'given 'privileged status' by universities, but is newly minted 'in circumstances of uncertainty, uniqueness and conflict' (which characterise family business issuses) through 'reflexion-in-action', that is in the process of advising clients. They thus construct a theory of the unique case which is of service in subsequent unique cases they encounter by means of a 'repetoire of examples, understandings and actions'. Their knowledge, so gained, partaking of an art not a science, can be conveyed to the less experienced through a proces of coaching akin to that deployed in the 'deviant' profession of music, typically in the 'master class', or in architectural design.

Schön does not apply his concepts explicitly to practitioners in family business advising. But his ascription of the circumstances in which the practitioner may operate, viz, those of 'uncertainty, uniqueness and conflict', accord well with those encountered in the issues family business encounters. These concepts will therefore be drawn upon in interpreting my findings – and are enlarged upon in section 4.10.4. of the Findings chapter.

2.11 The scope of the study revisited

In the light of the gaps disclosed in previous empirical research (Section 2.9) and of the illumination provided by theories of plausible relevance (Section 2.10), this section reviews the scope of the study as set out in Section 1.5 and indicates how the field studies, survey and interviews, are to be shaped.

Recapitulating, there are apparent gaps in the literature which I seek to help fill. They concern, firstly, the propensity of family business CEOs to recognise family business issues that present current or future challenges. (I use 'CEO' as shorthand for CEO or other decision takers as regards the engagement of external advice: they are the principal 'unit of analysis').

Family business issues may not impinge because the CEO does not acknowledge his/her business to be a family business. Or even if he/she does so acknowledge the challenges they may be seen as unique to the business and not amenable to outside treatment. Or issues may be presenting no immediate challenge and he/she may lack the foresight to anticipate them. Present day exigencies may exclude the admission of more fundamental or impending challenges.

Positive 'prompts' are likely to include distress or discomfort about present circumstances or the anticipation of future challenges. Awareness may be prompted

by exposure to literature on family business issues, or attendance at events, for example mounted by Family Business Australia, at which they are discussed. The CEO may be moved to awareness by other family members, by direct approaches from advisers, or through contact with business peers.

Secondly, if family business issues are recognised I aim to investigate the willingness or otherwise of CEOs to move to a decision to seek external advice. Aspects of institutional theory may be invoked to aid understanding of why action may be resisted. The behaviour of family businesses may be constrained by what is 'compliant, habitual, unreflective' (Oliver 1997), and bound, in early generations, by the founder's vision and the force of cognitive sunk costs, and in later generations through 'path dependency'. It may be speculated that these features would make CEOs and successors 'impervious' to outside advice. Moreover, clinical studies of entrepreneurs portray them as self-reliant, intent on retaining control and distrustful of outside expertise. It is for investigation how widespread is this state of mind. Mortality fears may discourage a quest for outside advice. Sensitivity towards airing 'private' matters may also do so. The possible 'gatekeeping' (shutting the gate) role of the business's (often long-serving) accountants is a factor also to be explored.

Thirdly, little material has been identified in explaining how choices of advisers are made once the decision to seek them has been taken: 'one of the most overlooked topics', needing further research (Strike 2012a, p.6). In investigating this, my research will pay particular attention to the significance of trust mindful of the illumination provided by the authorities cited in Section 2.10.3. Aspects of the theory will be appraised. Where accountants are selected the research will pay attention to what is being asked of them, that is, whether extending beyond compliance and financial advice to family business 'soft' issues. Some assessment will be made of the value of the advice to the client and whether it was put to use, noting the difficulty of 'concretely' measuring success in family business advising (Astrachan & McMillan, 2006, quoted by Strike 2012b, p.161).

Family business people may be less resistant to a 'process', as distinct from an 'expert', approach by external advisers (Section 2.5.5) because the former entails encouraging the family business participants themselves to identify problems, to develop the skills to understand them and the tools to overcome them, while remaining in control and within the bounds of their own ethos.

Fourthly, while advice from other than professional advisers, peers, family members, friends, has been cited as significant (Section 2.5.1 and Tables 2.1 and 2.2), there is scope in this rich field for further exploration – its nature, extent and outcomes – in relation to family business issues. Family businesses are said to be the recipients and possessors of substantial social capital ('dynamic family capability': Salvato & Melin, 2008), capable of providing access to new sources of knowledge (Inkpen & Tsang

2005) and engendering successful practice (Mandl, 2008; Sirmon & Hitt, 2003), created from interactions within and without the family business. In some instances these have been fostered by governments, professional associations (notably, Family Business Australia) and 'other external constituents' ('public institutions'). Some 'benign' isomorphism has been shown to operate in the acceptance and adoption of 'fit organizational forms' (Orru, Woolsey Biggart & Hamilton 1991), but this is not to be exaggerated (Melin & Nordqvist 2007). While trust is slow-maturing, the process may be abridged through exposure to the advice and experiences of those seen as akin by family business people.

A counterpart to this last issue is the willingness of family business leaders to **provide** advice. They can be regarded as repositories of advice. This, particularly in the context of a 'community of elders'(Jaffe 2008) , will be explored.

The second of the thesis's research questions inquires how family business advice can become more accessible and appear more relevant. So, fifthly, the qualifications of family business advisers, their training and the approaches they take towards clients and potential clients are for study. Conducive to acceptance of external advice is an ability by the consultant to speak the language, bearing in mind the lack of 'complementarity' (Donckels 1992) observed between the owner-manager and the professional adviser. I will also explore the styles of consulting that have been offered to CEOs. Furthermore, I will also inquire how the transfer of skill to the aspiring adviser takes place, having in mind the work of Nonaka and Schön and others cited in Section 2.10.4. It will ask, have advisers experience in assisting with the 'soft' as distinct from the 'traditional' business issues? Are they acquainted with the 'unique psychodynamic problems' (Kets de Vries)? How do they generate and maintain the trust that has been shown to be an essential precursor to their engagement by family businesses?

A sixth area: there is significant academic research on the nature and the **benefits** of external advice received by SMEs (identified and discussed in section 2.6). There is little counterpart literature as regards that received by family businesses on family business issues, although there is much by way of anecdote and assertion from practitioners (identified and discussed in section 2.5). For example, detailed analysis of variables associated with effective succession has been undertaken (Miller, D & Le Breton-Miller 2006; Chittoor & Das 2007), but not of its association with external advice: this omission will be addressed.

The third research question concerns the relevance of public policy towards family businesses. So, lastly, this prompts inquiry as to how might family businesses as 'institutions' be more readily, appropriately and effectively assisted to benefit from external advice by the initiatives of public agencies, notably Family Business Australia, through their forums and educational events. In this regard Parada,

Nordqvist and Gimeno (2010) note that a voluntary professional organisation can be influential, even without regulatory power over its constituents. The role of the South Australian government and its agencies will also be studied. Exemplary material has been prepared for and by the European Commission (Mandl 2008; European Commission 2009). It covers material relating to all the European Union and associated countries, offering possible lines of action which Australia might find it appropriate to emulate.

Table 2.4 sets out the foregoing in simplified form.

Table 2.4 Scope of research

	Scope of research	Covered in prior empirical research	Potentially illuminated by theory
1	Recognition by FBs that they are such	None identified	
2	Acknowledgment of existence of FB issues	None identified	
3	Motivation to seek external advice on them	Ward (1987) Ward & Aronoff (1991, 1993), Aronoff & Ward (1993, 1994)	
4a	If positive, from whom: professionals	Tabulated information Smyrnios (multiple)	
4b	If positive, from whom: peers	Jaffe (1998), Kilpatrick (2002),	
5	If positive, reasons for choice of adviser	None identified	Trust
6	If negative, why deterred	Yes, Ward, Aronoff (as above)	Institutional, psychodynamic & family systems
7a	Value of advice received: from professional	In relation to SMEs, not FBs	
7b	Among professionals, nature and value of advice from accountants	None identified	
7c	Value and extent of advice received: from peers	None identified	Institutional, social capital, knowledge creation
8	Adoption of advice	Anecdotal	
9	Competence of advisers	Yes, by advisers: Levinson (1996), Dyer & Ross (2007), Bork et al (1996), Jaffe (1991); but not by clients	Trust
10	Advisers' formation to achieve competence	Hilburt-Davis et al (2003), Jaffe (1991), Maister et al (2000), Schön (1987)	Knowledge creation
11	Public policy implications	Mandl (2008), EC (2009), not Australian	

The foregoing framework is speculative and preliminary. More powerful insights emerge inductively from the interviews. The product of this deeper understanding will be presented in the Conclusions chapter

2.12 Conclusion

This thesis aims to disclose the level of willingness of family business people to seek external advice on family business issues which can affect the wellbeing of the family and their business's viability and even survival, and having sought advice from professionals and peers, how well and in what manner their needs are attended to. The review of literature in the current Chapter reinforces recognition of the topic's significance but discloses wide – and surprising - gaps in relevant study and hence understanding. The review also presents theories which may assist in fulfilling the aims of the thesis. But judgment as to their respective utility is suspended until the new inquiries are well advanced.

The next Chapter describes the methods employed in attempting to answer the research questions, indicating the philosophical standpoint from which the inquiry is mounted.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction

This chapter alludes to both the epistemological and the ontological stance from which I embark on the research, also to recent relevant job experience. Each predisposes me to my choice of mixed qualitative and quantitative methods, with the former predominating. Use of semi-structured interviews, preceded by pilot interviews and an email survey are justified and described. Ethical considerations and how validity was aimed for are recorded.

I refer to those who responded to the email survey as 'respondents'. I refer to those who were interviewed as 'participants', viewing them as 'equal participants in the interaction' (Denzin & Lincoln 2005, p.718). (I had previously used the terms 'interviewee' and 'informant' indiscriminately. I then read Seidman (1991, p.268):

> *the word a researcher chooses to refer to the person being interviewed often communicates important information about the researcher's purpose ...and his view of the relationship.*

From considerations of equity and involvement Seidman and colleagues chose 'participant'. I follow their example for like reasons.

3.2 Philosophical standpoint

'You can't have method without philosophy', maintained an interviewee whom Bishop et al (2009, p.523) quote with approval. Philosophical aspects and questions are said to 'lurk behind' every research method and methodological approach (Eriksson & Kovalainen (2008, p.10). It is well therefore to place them out in the open. My standpoint aligns with that of Miles and Huberman (1994, p.4) who:

> *think that social phenomena exist not only in the mind but also in the objective world – and that some lawful and reasonably stable relationships are found among them.*

Bhaskar (2008, p.43) espoused a marriage of ontological realism with epistemological relativism: 'to be a fallibilist about knowledge it is necessary to be a realist about things' (p.75). Echoing Bhaskar, Miles and Huberman term their orientation 'transcendental realism'. This has a further connotation for me: my working (living?) assumption is that there is an Absolute Reality, beyond human conceptions (except by metaphor and through a glass darkly), but it is interpreted, variously, through human speculation in different times and cultures and 'which will always appear to us with our particular cognitive machinery and conceptual resources' (Hick 1999, p.49). To be rational is to be aware of the significance of context – and of fallibility (Miller, KD 2008).

My position stands in contrast to the positivism of classical social philosophy which holds that all phenomena are capable of being understood by means of scientific method and that one can arrive at a value-free reality (originating in Comte). Equally, it is distinct from the empiricist view that knowledge can only be obtained via the senses. It is distinct also from the interpretivist view that meanings can be determined only by an *individual's* perceptions: these alone may not yield a valid understanding of phenomena (Crotty 1998; Eriksson & Kovalainen 2008). The assertion in Roberts (2002, p.7) appeals: 'the tendency towards a 'constructionist' or 'narrative' position, the reliance on 'text', the analysis of 'intertextuality' and multiple 'voices' is ultimately a retreat from any idea of reality'.

The stance I have adopted has practical and pragmatic merit: it encourages diligent research to get as near as possible to the 'truth' while unburdened by apprehensions that truth may be illusory, fugitive or relative.

It also implies that the quest to approach truth will be furthered through the multiple interpretations that a substantial interview program will permit. And insofar as interpretations converge, truth will be more certainly attained. As Hooker (1593, Book 1, ch 8, s3) said, in the language of his time and his profession, 'the general and perpetual voice of men is as the sentence of God himself.'

This position is also methodologically neutral in presenting no barriers to nor preference between the use of qualitative or quantitative methods.

The foregoing refers to beliefs held at the start of my research and to how they have been deployed in choices of methodology. In the process of research I have come to recognise the power of concepts of tacit knowledge and in particular of group tacit knowledge as, for example, described by Erden, von Krogh and Nonaka (2008). Plausibly, tacit knowledge of this power has been awakened. For some fifty years I have served or served on committees and have been impressed by a power to arrive at 'truth' far beyond 'aggregation of [members'] individual tacit knowledge' (Erden, von Krogh & Nonaka 2008, p.5). This has prompted an interest and a concentration on peer advice, particularly collective peer knowledge and in how it can be generated and conveyed.

3.3 Research questions

As first set down in Section 1.4, these were

- What are the factors that drive and impede the uptake of external advice by family businesses on family business issues?
- How can advice become more accessible and appear more relevant?
- What public policy implications arise?

To answer the first it was necessary to establish whether the businesses to be approached were in fact family businesses according to the chosen definition (see Section 1.2.1); also to gain information on size, sector, generation age to see if useful relationships could be established. Next it was necessary to find out whether the family businesses recognised themselves as such; if so, whether they acknowledged they had issues characteristic of family businesses or anticipated that they might arise in the future. Inquiries needed to follow about their seeking and use of external advice or their contemplation of it, and about reasons for seeking or not seeking it. Then it was necessary to know about experiences when advice was sought: whether it was thought useful and whether it was acted upon.

The second question has to do with how easy it was to locate sources of advice and whether they were seen to be appropriate.

Answers to these questions were to be sought in the email survey of chief executives described below in Section 3.4.2 and detailed in Appendix A. The survey would assist in probing deeper into the reasons for taking (or not taking) advice and the outcomes, for which the interview program (Section 3.4.3) was devised.

The third question could be addressed only after analysis was completed of survey and interview responses informed by the literature search and by personal knowledge.

3.4 Research methods

I used mixed methods. That is to say, the core of the research was by qualitative research but as a preliminary I conducted a quantitative survey.

My choices in this regard were not constrained by research conventions in my chosen field of study. Regular quantitative surveys of family businesses are prominent in Australia, examples being the annual surveys conducted by KPMG and Deakin University (Glassop, Ho & Waddell 2005; Glassop, Hagel & Waddell 2006, 2007, 2008), surveys conducted by Smyrnios and collaborators in 2006 and previous years, the Small Business Survey Program on a kindred topic conducted twice yearly by CPA (see CPA 2004; Carey, Simnett & Tanewski 2005). While Sharma (2004), having reviewed '217 refereed articles on family business studies' comments on the use of rigorous designs both in qualitative and quantitative research methods. She urges researchers to 'use multirespondent data-collection methods to capture different

prevailing perspectives' (p. 25). Mixed methods were used by Moores and Barrett (2002) to provide data on which their study was grounded: a mailed questionnaire with follow-up detailed interviews with selected respondents.

The committee which approved my research proposal endorsed my decision:

> *Your proposal to use a mixed method was appropriate and, given your contacts in the family business environment, has the potential to provide strong evidence to supplement current anecdotal observations.*

My principal justifications for choice of methods are practical, pragmatic, economic and to a degree opportunistic. My ontological and epistemological positions do not constrain such choices. Moreover, freedom to make choices which are 'autonomous in relation to epistemological commitments' is acknowledged more generally as the influence of the contestants in the quantitative/qualitative 'paradigm wars' has waned (Bryman 2008b) (although we read in Bryman 2008a they may be re-emerging). Choices as to method are seen more in terms of their technical aptness – or resting on non-theoretical justifications. They can be eclectic:

> *the possible, legitimate ways of putting together these [qualitative and quantitative] components are multiple rather than singular and need to be discovered empirically rather than logically deduced (Maxwell & Loomis p 248 in Tashakkori & Teddlie 2003).*

Bryman (2004 p. 443) quotes with approval the assertion of Platt (1996 p. 527) that:

> *research methods may on the level of theory…reflect intellectual bricolage or post hoc justifications rather than consistent working through of carefully chosen fundamental assumptions. Frequently methodological choices are steered by quite other considerations, some of a highly practical nature.*

My 'other considerations' are overt. Thus, Maxwell (2005, p.125):

> *For both selection and data collection, practical considerations are often important…be candid about these, rather than ignoring them or concocting bogus theoretical justifications for decisions that are, in fact, practically based.*

The literature review draws attention to the reported difficulty of gaining access to family businesses for research purposes (Daily & Dollinger 1991; Sharma et al. 2001; Kaslow 2006). Kets de Vries (1996a) confirms that

> *privately owned firms are not always easy to study. Many family enterprises are quite secretive, jealously guarding their privacy and wary of communication with outsiders.*

My previous working experience has provided me first with unusual opportunities to gain entrée to and visit family businesses; second, to make contact with a wider population of family businesses in South Australia.

This means I had no difficulty in obtaining interviews with the numbers of family business owners and other family business representatives required for the purposes of the study. My pilot interview program strengthened that expectation.

As a former member of the team within the South Australian government concerned with the sponsorship of small business, and with particular responsibilities in relation to family businesses, I worked closely with the Business Enterprise Centres (BECs) and Regional Development Boards (RDBs) (now, Regional Development Australia). These organisations possessed databases predominantly of family-owned businesses. I was able to use some of these databases for the purpose of conducting a survey, in some cases with the commendation to potential respondents of the database owners.

As a member of the executive committee of the South Australian chapter of Family Business Australia and for some years an active worker in the organisation I had been afforded almost daily opportunities of meeting family businesspeople. I also communicated frequently by email with a wider circle of family businesses to inform them of the chapter's events and activities. The combined resources of the department and the chapter were used to compile a database of family business interested parties (not only FBA members), then known as the 1700 list. I was offered access to the upgraded 1700 list for the purpose of a survey with the organisation's encouragement to recipients to respond.

These opportunities both to meet and to make contact by email influenced the choice of study methods.

These practical, pragmatic – and economical - reasons for undertaking the mixed methods study planned are also supported on conventional methodological grounds. Thus, Currall and Towler in Tashakkori and Teddlie, (2003, p.520) have found that

> *when researchers used a combination of qualitative and quantitative methods to investigate organisational phenomena the research yielded greater information than can be achieved through reliance on single methods.*

Upon this they rest their recommendation (p. 522) that

> *researchers…design their studies in a way that draws on appropriate qualitative and quantitative techniques within a single research endeavor.*

Mixed methods are supported, furthermore, by their potential to 'combat anecdotalism' (Bryman 2004) to which qualitative research can be considered vulnerable:

> *The widespread use of brief sequences of conversation, snippets from interview transcripts…provide little sense of the prevalence of whatever such items of evidence are supposed to indicate (p. 329).*

The core of my mixed methods study was by qualitative research. It afforded 'the opportunity to focus on the complexity of business-related phenomena in their contexts' (Eriksson & Kovalainen 2008, p.3). It also permitted flexibility in the means of obtaining and analysing information. It allowed ample deployment of experiential knowledge. My 'experiential knowledge' has been gained in the course of previous, countless encounters with family business owners, managers and advisers. I used this both as a source of data and as a means of enhancing the quality of new data and its analysis. Traditional views as to the 'objective' role of researcher as questioner, interpreter and presenter of a research text have given way to a 'recognition of the collaborative and reflexive role of the researcher' (Roberts 2002, p.13). Maxwell (2005, p.16) draws on a number of authorities (Berg & Smith (1988), Denzin & Lincoln (2000) and Jansen & Peshkin (1992)) to commend 'explicit incorporation of your identity and experience in your research'. Experiential knowledge is accorded by Maxwell a status equal to that of prior theory, pilot and exploratory studies and 'thought experiments' in the construction of the thesis's conceptual framework. Identity and relevant experience also increase 'sensitivity' in the way the word is used by grounded theorists, ie, meaning 'that you have insight into, and are able to give meaning to, the events in data' (Eriksson & Kovalainen 2008, p.163); that you are 'street smart', 'context wise', have *phronesis* (Flybjerg quoted by Cassell et al (2009)) - and, I would contend, conversant with the connoted, the oblique and the vernacular. Moreover, I posit that my previous encounters with family businesspeople are not of a different kind from, of lesser authenticity than, those conducted in the course of the program of interviews. Certainly, the latter will be subject to more systematic recording and reproduction, but what they yield should not be 'ring-fenced' on that account. In this regard it is well to reflect that as an academic discipline, family business owes its foundation to practitioners (Sharma et al. 2007).

The relevance of my experience is confirmed in study of the literature. Repeatedly I found that concepts put forward were validated (or reinterpreted) in my mind by reference to the narratives of family businesses of my acquaintances, and of the exploration I had had with their actors' attitudes and motivations.

I recalled, moreover, the advice of the committee that reviewed my research proposal:

There was one aspect that the Committee felt you might like to consider as you progress your research. Given that your own prior knowledge of the family business environment is likely to be a significant strength in terms of both the development of your prior theorising and later in the evaluation of the resultant findings from your data collection, we felt that you could consider formally acknowledging the role of yourself as the 'researcher' in the development of your methodology. There is a strong literature in the social sciences on the role of the researcher's own experience both as a source of data in research and as a method of enhancing the quality of the data and analysis.

3.4.1 Pilot interviews

At the outset of my field research five pilot interviews were conducted: two with family business advisers, one of whom was an accountant, and three with family business representatives, two of whom were founder/owners and one a company secretary. Each interview was of roughly an hour's length. They were recorded and then transcribed by me.

The interviews served a number of purposes, the first being to help inform the questions I drew up for the subsequent survey. Secondly, they were a modest proving ground for the later engagement with interview participants; also of the conduct of interviews including the use of a voice recorder and participants' acceptance of it. The test was successful. Additionally, all participants agreed that I could contact them further if needed.

A further intended purpose was to allow me to experiment with methods of data analysis, in particular the use of NVivo, a commonly-used computer-assisted qualitative data analysis form of software. This was not accomplished as I had not acquired the necessary familiarity with the software at the time the pilot interviews were conducted. Its use in any case would have been somewhat artificial as I found that having recorded and personally transcribed the five interviews it was easy mentally to retain and manipulate the data gained without external aids.

3.4.2 Email quantitative survey

As the Literature Review, Chapter 2 relates, no systematic study of the extent, the nature and the outcomes of external advice on family business issues has been identified. This is in contrast to a copious literature on advice sought by and given to SMEs but in which family businesses are not separately identified nor the treatment of family business issues explicitly analysed (Bennett & Robson 1999b; Robson & Bennett 2000a; Robson & Bennett 2000b; Bennett & Robson 2003, 2004; Bennett & Smith 2004; Lambrecht & Pirnay 2005; Berry, Sweeting & Goto 2006).

An emailed quantitative survey was therefore undertaken to afford some measure of the incidence of external advice and aid 'mapping' of the issues to be addressed in the interviews (Bryman 1988). Preceding the interviews, it was the chief source for the selection of interviewees (Bryman 2004, p.457). It was also intended to make possible some rough but useful typology of users and non-users of advice (Sieber 1973). It also offered the choice of anonymity and encouraged frankness by any deterred by identification of material in an interview.

Email was selected for reasons of economy and also because I had the opportunity to avail myself of email databases. Evidence as to their effectiveness compared with postal questionnaires is conflicting. Solomon (2001) found that response rates for internet surveys were lower than equivalent mail surveys. Schaefer and Dillman (1998), however, claimed that compared with paper surveys, emailed survey response rates were at least as high, completion rates higher, responses to open-ended questions longer and responses were returned quicker. Bryman, writing later, (2008a, p.653) maintained that 'typically' response rates to online surveys were lower than those for comparable postal questionnaire surveys. It is noteworthy that Moores & Barrett (2002) in a mailed survey (also as a preliminary to an interview program), achieved 341 responses, 278 usable, in a questionnaire mailed to 2000 assumed family businesses in Australia (13.9%). Carey et al., (2005) achieved a response rate of 21.3 per cent to a mailed survey of Australian SMEs.

Bryman (2008a) found that 'embedded' questionnaires achieved higher responses than those involving attachments. My questionnaire was an 'embedded' one, accessible by live link within the email.

Researchers offered other stratagems to increase the response rate. These included: making contact with prospective respondents via networks with which they are familiar and for which they have respect; incorporating endorsements by leaders of the organisations owning the networks; supplying information as well as extracting it; using 'skip patterns' allowing respondents to bypass questions irrelevant to them; and by being brief (Cycyota & Harrison 2006; Bryman 2008a; Shropshire, Hawdon & Witte 2009). Each of these suggestions were complied with.

But Dennis (2003), notwithstanding, acknowledged that response rates among small business owners were 'notoriously low', and that the six 'survey treatments' by which he intended to raise rates were unavailing. Follow-ups could increase response rates but at the risk of ill-will.

The survey sought information about:

- the role of the respondent
- whether the company was recognised as a family business and the characteristics that made it so

- other family members employed
- whether it was intended that the business be passed on to family successors
- various business characteristics
- numbers of employees
- turnover
- the sector in which business was carried out
- recognition of (defined) family business-type issues arising;
- whether external advice had been sought on them, from whom, the reasons for the choice, and what had prompted/inhibited a decision.

Further questions covered the use of accountants and the purposes for which they had been engaged. Perceptions of the value of the advice and the extent of its adoption were sought. Illumination was sought in particular about the use of accountants, the profession most frequently employed (Kirby & King 1997; Bennett & Robson 1999b; Berry, Sweeting & Goto 2006). Respondents were invited to add their own comments; asked if they were willing to be interviewed and whether they would like feedback. The survey instrument forms Appendix A.

Once devised, the survey was converted by a commercial IT house, Ozipos, to an 'online survey tool' suitable for electronic dispatch and response by means of a live link. It was piloted by a family business chief executive and found to be clear and easy to respond to. It was then sent, for distribution to CEOs and to the managers of a number of organisations who were the possessors of relevant databases, being collaborators in the research. The latter were: the executive officer of the South Australian chapter of Family Business Australia; the managers or general managers of all nine Business Enterprise Centres (BECs); and the CEOs or business development officers of eight Regional Development Boards (RDBs). All were invited to comment on the usability of the instrument prior to distribution. As the organisations' databases were confidential they were not disclosed to me. Instead, the owners of the databases sent emails, with a live link to the questionnaire, directly to the CEOs or equivalent officers on their lists. Some filtered their lists in order specifically to target family businesses. Others included details of the questionnaire web link in newsletters and/or commended its use at workshops and functions.

The survey allowed respondents on completion simply to press 'submit', which automatically despatched it directly to me.

One hundred and forty responses were received: all were usable, most in their entirety, although the respondents from fifteen did not recognise their businesses as family businesses.

After six weeks I sent a brief analysis of the results to all collaborating data base owners with an invitation to send reminders intended for those who had not

responded. Discretion along with Dennis's (2003) strictures about 'badgering' deterred further approaches, and no further responses were received.

Respondents were invited to say whether they would like feedback from the survey and if so to supply contact details. Forty six did so and I subsequently sent them the brief analysis of the survey data.

The total number to whom the questionnaire link had been sent is unknown as is the number who received it at functions and the like. Seven database holders were able to give precise numbers of those addressed: these totalled 1832. This would imply a response rate of 7.6%. But because some responded as a result of general requests made at functions two thousand would represent a more likely total number of recipients, which would imply a response rate of 7%. This compares with response rates achieved for the KPMG and RMIT/MGI surveys referred to in Section 3.3 above of between 20% and 8.7%. In these surveys, however, the researchers were in direct contact with those addressed whereas my survey was conducted 'blind' via intermediaries.

The decision was taken to confine the research to South Australia. This was on grounds of economy, but also, positively, because of the contacts I possessed which enabled access to family business databases, and later the identification of potential interviewees from among my many acquaintances.

While a useful response was obtained it was not possible reliably to assess how representative it was of a wider family business population. First, for confidentiality reasons mentioned above the population from which the respondents were drawn was not known. More fundamentally, there are no statistically complete sources of data about South Australian – or Australian – family businesses with which it could be compared. There is increasing awareness both nationally and internationally of family businesses as a sector; correspondingly, of a need for more systematic and detailed information in the form of statistical data to be provided by national agencies (Mandl 2008, p.96). Unfortunately, the Australian Bureau of Statistics has not responded to these issues in a way that is useful for researchers, nor, arguably, to industry. In order to judge the degree of representativeness some comparison between my results and those of KPMG and MGI are discussed in Chapter 4, section 4.3.

3.4.3 Semi-structured interview

The principal method of research was by qualitative research semi-structured interview. This method is appropriate

> *where the researcher knows enough about the study topic to frame the needed discussion in advance of interviewing, but not enough to be able to anticipate the answers (Morse & Richards 2002, p.95).*

It allowed those interviewed to be 'participants' in the research, 'actively shaping' the course of the interview (Cassell & Symon 1994, p.15). It also permitted my input as researcher. In producing an interpretation of the matters under consideration so that 'truth' can most closely be approximated the input of the researcher is seen to be valid by those who, like Roberts (2002), recognise his 'collaborative and reflexive' role:

> *To place the researcher fully within the research is to recognise that we all have stories and it seems a fundamental part of social interaction to 'tell our tales' [thus] helping the researchers to begin to draw on their own experiences (p. 13).*

'Leading' must of course be avoided – as also the intrusion of 'self-absorption and narcissism' against which he warns.

Semi-structured interviewing offered flexibility while being suitable for 'examining topics in which different levels of meaning need to be explored' (King in Cassell & Symon 1994, p.33). The same authors note this interview method as readily accepted by most participants. This was especially so in view of my acquaintance with many participants and the trust I believe I commanded. It had been borne out in the reception and engagement I was afforded in the pilot interviews.

To ease time constraints attaching to a substantial interviewing program, but more fundamentally, to help generate early insights I used the services of a research assistant as co-interviewer at the initial interview and then to carry out five subsequent interviews. All subsequent transcribing was done by me as was the analysis and all judgments as to its meaning. The assistant was Paul Mabarrack, in turn a former family business owner, adviser and non-family general manager of a family firm. Miles and Huberman (1994, p. 46) strongly endorse the motivation in doing so (as did my supervisor):

> *Lone researchers, new or experienced, should find a critical friend, partner or colleague who can supply alternative perspectives, support and protection from bias and self-delusion.*

Paul was such a friend. However, I alone carried out the subsequent transcriptions and analysis.

3.4.4 Interview participants

Since decisions to seek external advice (and decisions not to) are usually made by CEOs it was important that they were well represented in the interview program: in the event twenty were interviewed. In eight businesses one other member of the owning or managing family who could provide alternative perspectives was interviewed. Such people were selected either because they had been the survey respondent, or on the advice of the chief executive. In the two cases where the original interviewees were not the CEOs, I requested and subsequently gained an interview with them. The additional voices were useful: the key figure in a family business may not experience the 'pain' to want to turn to advice, that being often felt by someone of lesser power. The degree to which pain is experienced is an important measure of how ready an organization is to accept help (Levinson 1996, p.216). Moreover, 'very different perceptions' can be expected from different family members (Sharma, Chrisman & Chua 2003). Of the eight 'other' family members interviewed three produced very useful and divergent insights, for example, on whether the incumbent had or had not involved a successor in succession planning (C8 and C11); and on the contribution of the subordinate in strategic decisions (C12 and C17).

Ten first generation businesses were covered: a number justified by their prevalence (69.2% of respondent firms so managed according to Smyrnios & Dana, (2006)). A larger proportion of second and 'older' generation CEOs were interviewed than was found among all survey respondents on account of their propensity to have experienced more family business issues (see section 2.3). Care was taken to select CEOs of businesses of varying size and turnover; and from the main business sectors in which family businesses operate – manufacturing, retail, construction, consulting services, transport, publishing and primary production; and from both genders. One CEO interviewed had been 'snowballed' by a previously interviewed CEO who (correctly) thought the former had interesting perspectives in relation to my research topic.

Interviews of family business people were guided by reference to the questionnaire devised for the previously administered email survey (see Appendix A), which a number of participants had already completed. Further guidance notes for myself and my research assistant were prepared for interviews with family business people (but not circulated to them) (see Appendix C). They did not constrain the scope and focus of the interviews, however.

Advisers selected at the outset for interview were drawn firstly from the FBA Advisers' Group in South Australia, a subgroup of FBA members in the South Australian chapter; and secondly from among those practices in South Australia that advertised themselves (principally on the Web) as family business advisers. Further

selections were made as the interview program progressed. They covered: advisers whom interviewed CEOs had engaged and whose skills seemed pertinent to the inquiry; and advisers selected to ensure a sufficient range of relevant disciplines were represented. These included advisers serving the rural community, a family therapist, management consultants, a business coach and a family business specialist in disputes resolution, the last two from interstate because of their eminence in their respective fields. In all, nineteen advisers were interviewed, ten of whom were accountants. In addition three chairman or facilitators of peer learning groups were interviewed and an administrator in a professional organisation (see Table 3.1).

I took care that practices of varying sizes were included, from sole practitioners to directors or partners of substantial firms. I ensured that members of the principal professional accounting bodies, CPA Australia and the Institute of Chartered Accountants in Australia, were represented. A representative of the management of CPA Australia was also interviewed, as was the general manager of a government rural counselling service.

For advisers' interviews, a specially composed guide was used (Appendix D), having been piloted by two advisers and improved in discussion with my supervisors. It was sent in advance to those I wished to interview. Like the questionnaire for family business people, the advisers' interview guide allowed me the latitude:

> *to glean ways in which research participants view their social world…and [gain] an appreciation of what [they] see as significant in relation to each of [my] questions (Bryman 2004, p.324)*

I also interviewed the facilitators of two FBA Forums. Forums were FBA's principal networking device and were commented upon by a number of CEO participants.

3.4.5 Interview characteristic, sample size and location

My aim was to gain a 'purposeful' sample as described both by Maxwell (2005) and Seidman (1991) . I endeavoured to cover both 'representative' and 'outlier' respondents found among the survey of CEOs (recognising however that survey respondents volunteering for interview were not random); and to achieve sufficient range in terms of the criteria discussed respectively in the 'CEO' and 'adviser' sections above.

I asked prospective participants to make one hour available for an interview. (Seidman (1991) suggests 90 minutes over three sessions!). One hour proved sufficient in most cases as the interview process was shaped to fit this constraint – although some participants were eager to talk for longer, occasionally much longer. Participants were asked if they were willing to be approached later for further discussion if necessary – to which all assented.

With participants' permission all interviews were recorded. I then transcribed all but five of them (the five being professionally transcribed to avoid a backlog). I also prepared for each a 'contact summary form' – as commended by Miles and Huberman (1994) – listing significant issues emerging. I sent the transcription and summary form to each interview participant to requesting comments. All who responded did so affirmatively and a few added further views.

A particular size of interview sample is easier to justify *post hoc* in the degree of reinforcement of findings achieved than it is in anticipation. Miles and Huberman (1994, p.27), allow that sample sizes may not be 'wholly prespecified, but can evolve once fieldwork begins'. (Bryman 2004, p.381) is open-minded:

> *the size of sample that is able to support convincing conclusions is likely to vary somewhat from situation to situation in theoretical sampling terms.*

I interviewed until I considered I had 'enough ' material; enough being a sufficient **range** of participants; and achieving **saturation** (Seidman 1991), being the point at which no major new insights are being gained (Cassell & Symon 1994; Bryman 2004). Time constraints also had to be borne in mind. Saturation appeared to have been reached after 28 interviews of family business people and nineteen advisers. I interviewed a third forum facilitator late in my research prompted by the importance that forums had assumed in my understanding of peer advice.

The numbers interviewed are summarised in Table 3.1 below.

Table 3.1 Participants by category

Participant category	Numbers interviewed
CEOs (or equivalent)	20
Other employed members of CEOs' families	8
Advisers (of whom accountants, 10)	19
Advisory organisation administrator	1
Forum facilitators	3
Total	**51**

The majority of family business interviews were in the Adelaide region at the participants' premises. Six were conducted in other South Australian regions. One was conducted by phone with a Western Australian participant included because he was known to be informative about a particular mode of family business advising. Confining interviews to South Australia provided information from sources – including my network of contacts – not accessible as economically elsewhere. It was

also appropriate in that any recommendations to government and business associations, notably FBA, which stem from the study would have greatest leverage and likelihood of acceptance where I am known, and particularly among former colleagues.

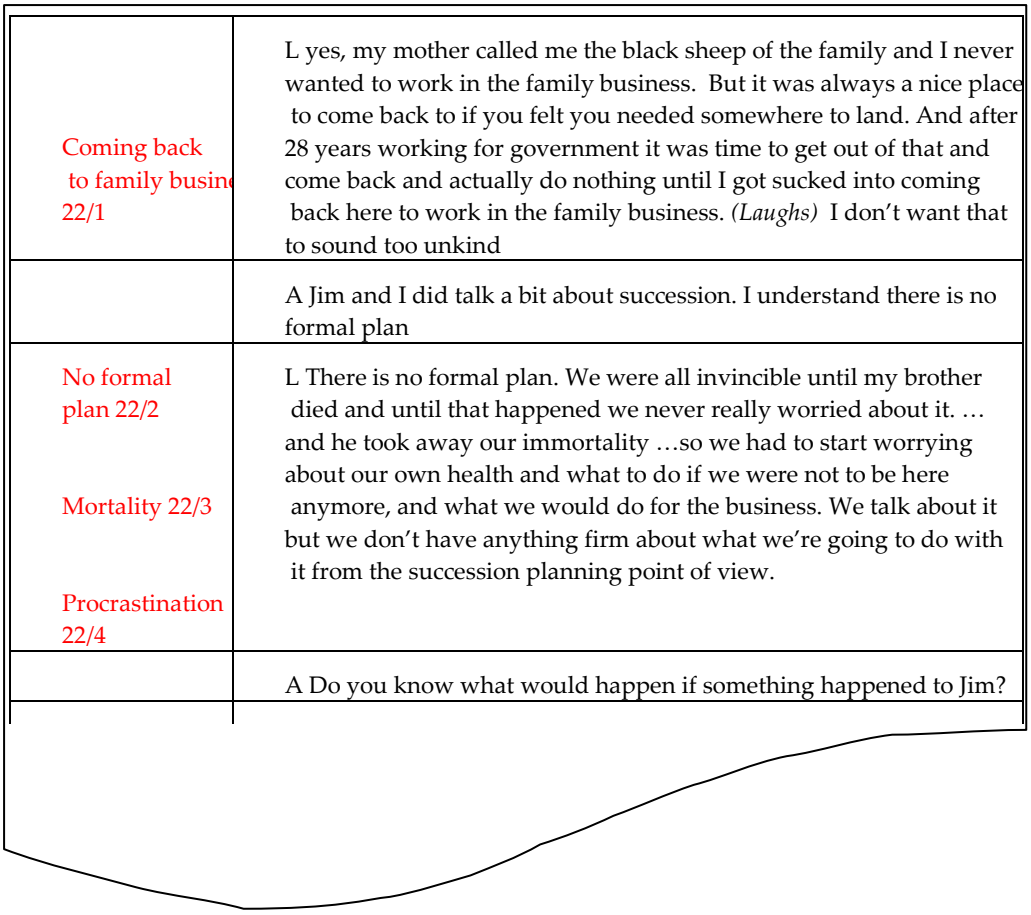
3.5 Data analysis

I analysed data from the **interviews** concurrently with its collection. I gave lengthy consideration to the use of computer-assisted data analysis software, NVivo. In the event I elected to devise my own simplified data analysis method using standard facilities available on Word for Windows. Justification for this decision was provided *post hoc* by Stanley & Temple (1995, p.189) whose research drew them to conclude that 'qualitative researchers should consider using a good word processing package as their basic analytical aid' and avoid the 'seductions' of certain 'dedicated packages'.

The reasons I was not 'seduced' concerned firstly, NVivo's use of esoteric language: 'tree nodes', 'free nodes', 'coding stripes', 'matrices', and the like, and its complexity, representing a burden of learning extraneous to and distracting from my central purpose: (potential time-saving in using the process being outweighed by time expenditure in learning how to use them (Stanley, L & Temple 1995)) . Moreover, I wished to avoid bias in designing the analytical tool 'on the basis of what the program…can best handle (Cassell & Symon 1994, p.33). Secondly, it threatened to atomise the textual material, the interviews, on which it operated. Whereas, following Charmaz,(2003, p.268) I wanted to get 'a sense of the whole - the whole interview, the whole story'. Thirdly, and positively, I believed I possessed a sufficient understanding of the material produced in interviews together with the tacit understanding I brought to them that recall would be hampered rather than advanced by the use of elaborate manipulation. Fourthly, although NVivo can accommodate 'memos', I did not believe its use would assist in recall of the highly contextual attributes of what was being revealed to me by participants (that flash of anger; that recent divorce which coloured opinion...). NVivo cannot store and deliver an electrical charge.

Instead, I used basic Word for Windows facilities. I transcribed interviews in tabular form allowing me to insert numbered codes in a left-hand column (see Figure 3.1). I then copied the left-hand columns of all the interviews into a 'family business' or an 'adviser' document. Later, in order to create 'themes' I used the 'find' facility to bring together all mentions of the theme or text related to it. This process could be termed a thematic analysis (Bryman 2008a, pp.554-556), albeit a home-made one.

Figure 3.1 Extract from coded transcript



Coming back to family busin 22/1	L yes, my mother called me the black sheep of the family and I never wanted to work in the family business. But it was always a nice place to come back to if you felt you needed somewhere to land. And after 28 years working for government it was time to get out of that and come back and actually do nothing until I got sucked into coming back here to work in the family business. *(Laughs)* I don't want that to sound too unkind
	A Jim and I did talk a bit about succession. I understand there is no formal plan
No formal plan 22/2 Mortality 22/3 Procrastination 22/4	L There is no formal plan. We were all invincible until my brother died and until that happened we never really worried about it. … and he took away our immortality …so we had to start worrying about our own health and what to do if we were not to be here anymore, and what we would do for the business. We talk about it but we don't have anything firm about what we're going to do with it from the succession planning point of view.
	A Do you know what would happen if something happened to Jim?

Notwithstanding the above, I recognise that the use of NVivo would have saved some time in the retrieval of material at the writing-up stage. I was obliged to return afresh to a transcript and copy the portion of dialogue to which a code was attached for insertion into a 'themes' document.

Familiarity with my research subject influenced choice of coding method. Word-by-word or line-by-line seemed not appropriate. Instead, I began with what Charmaz (2006) terms 'focused' coding, that is starting out not with a clean sheet but with concepts and tentative theory formed in the practice of my previous work and in the review of literature. Codes formed in my mind as I transcribed and were added to my transcript immediately on completion: 'as I went along' (Bryman 2008a). Coding later tended towards the conceptual as I learnt from the interview material. For example, 'vicarious trust' became a category as I came to understand its significance. While I have not assumed the distinction of grounded theorist, I have borrowed from its proponents (Strauss & Corbin 1998; Charmaz 2006): an iterative relationship

between data collection and analysis; the development of concepts, themes and of middle-range theory (Pinder & Moore 1979) (ie, in my research, applying to family businesses but not presuming application to all organisations); and rigor in the coding process.

Data from the **emailed** survey was analysed using SPSS for Windows, a widely-used computer software program for the analysis of quantitative data. The variables derived from the survey and analysed by SPSS are shown in Appendix B. Descriptive statistics were derived, supplying frequencies, percentages, means and modes of the characteristics recorded. Cross-tabulations were generated, producing contingency tables with the purpose of displaying relationships between business characteristic and use of advisers. Useful findings are reproduced and described in Chapter 4. The absence of external data on the family business population (referred to in 3.3.2) made it impossible to apply *t*-tests to determine the representativeness of the material. Correlations, exploring relationships between variables, were investigated. Most of the variables were categorical, permitting Chi-square tests to investigate the existence of statistically significant relationships between variables. They did not permit Pearson's *r* tests which require there to be continuous variables. Where significance was registered output is recorded in Chapter 4. Operations were carried out with guidance from Zikmund (1991) and Bryman (2008a).

3.6 Ethical considerations

The proposed study was approved by the University's Human Research Ethics Committee. My application referred to the email survey and to interviews to take place in participants' workplaces.

Participants were required to give written consent in advance to take part in interviews and to allow them to be recorded. It was explained that the recorder could be turned off at any time. They were assured that only my research assistant and my chief supervisor would be permitted to view transcripts. An information sheet and a form of consent sent in advance to those to be interviewed are attached at Appendix E.

Both interview participants and respondents to the email questionnaire were assured that while findings would be incorporated in a thesis and communicated through academic publications contributors' anonymity would be strictly maintained. Assurances were given as to the arrangements for the storage of physical and electronic documents and tapes containing confidential information.

These arrangements proved acceptable to both pilot participants and those in the main inquiry. In the event, two participants in the pilot interviews and one in the main interviews did ask for the recorder to be turned off, respectively, while discussion of a son's illness took place; as the precursor to uninhibited criticism of the

government; and for greater comfort while a colleague's behaviour was commented on.

3.7 Validity

Maxwell (2005, p.105), states, 'validity is a goal rather than a product', an entity to be aspired towards rather than proven. It can be seen in terms of internal and external credibility and in terms of transferability.

3.7.1 Internal credibility

This relates to the integrity with which material is collected and interpreted, and whether it makes sense to those who provided it (Miles & Huberman 1994). It was sought, in regard to the interviews:

- by recording and transcribing interviews and sending transcripts and my summary of salient points to each participant with an invitation to provide feedback: many did
- by retaining transcripts for scrutiny by my chief supervisor should the need for validation arise
- through interviewing a second member of family businesses wherever possible
- by seeking views on the same issues from both family business representatives and advisers – and observing much convergence therein (Miles & Huberman 1994, p.279)
- by the use of coding in analysis, to 'gain distance from [my] own preconceptions and the participants' taken-for-granted assumptions' (Charmaz 2006, p.55),
- in relation to the consonance between survey and interview findings
- by overtly identifying areas of uncertainty
- by scrutinising findings for consistency with what the literature reveals (Tashakkori & Teddlie 2003)
- by 'rich' descriptions of my evidence in which participants, through verbatim quotes, are allowed to speak for themselves
- in the light of my previous knowledge and experience.

Deployment of my previous knowledge and experience carried the risk of bias. Behind my research questions is the supposition of a reluctance of family businesspeople to seek advice. This may have given rise to a temptation to seek confirmation. However, as revealed in Chapter 4 Findings, my research disclosed, for example, widespread willingness to seek advice from peers to an extent which surprised me – and which I fully acknowledge.

3.7.2 External credibility and transferability

The issues of external credibility and transferability have been alluded to in descriptions above of the nature and size of the survey and interview samples. Also, as previously explained, representativeness is not reliably attainable in the absence of data on the relevant population. However, this may not be critical to an assessment of the value of the material.

As to the interviews, the sample though purposeful in intent has aspects of a convenience sample, modified by a concern to cover participants from a range of businesses by size, sector, generation and city/rural location. Survey responses and almost all interviews were conducted in South Australia. I have described the limitations of my coverage. Applicability is a matter to be judged by those wishing to apply findings in contexts and locations other than those in which my research has been conducted.

Limitations acknowledged, no investigation I was able to identify had drawn out as many as 140 CEOs' views on the subject under examination, nor elicited in depth the knowledge and insights of some fifty relevant players.. I maintain that Hooker's dictum (quoted in Section 3.2) about the authority of people's 'general and perpetual voice' has been conscientiously attended to.

Research should not only be valid but useful: 'we still need to know what the study does for its participants' (Miles & Huberman 1994, p.280) and for the parties in whose name they stand. From the start my motive was to 'make a difference in the real world'. I aimed to follow Sharma's dictum: 'the ultimate aim of the field of family business studies is to improve the functioning of family firms' (2004, p.23), and to ensure that those who participated in the research and the wider family business community were provided with opportunities to learn about the outcome and to make use of as much of it that they judge to be useful.

I intend to produce laymen's versions of sections of my research with suggestions for action. I will also seek opportunities to make presentations within the family business community. A *post hoc* validation through implementation (Morse & Richards 2002) may thereby be attained.

3.8 Conclusion

The foregoing describes the processes involved in the semi-structured interview program and in the emailed survey of family business CEOs. All those approached for interview willingly assented. Like Seidman (1991, p.130) I developed a respect – and an admiration – for the participants and I gained a deeper understanding of the issues and policies that imbued their stories. There was considerable corroboration of their accounts with the findings of the survey, amply justifying the use of mixed

methods. As this chapter has dealt with the processes of inquiry, the next will reveal the findings.

CHAPTER 4 FINDINGS

4.1 Introduction

This chapter describes the results of the inquiry into the uptake of external advice by family businesses and how advice can become more relevant – and better. It covers the results obtained by the email quantitative survey of family business CEOs. Its findings are combined with the results of the program of interviews of family business chief executives, other family members involved in the business, family business advisers and facilitators.

As a starting point, sections 4.3 and 4.4 inquire whether family businesses are acknowledged as such by their owners and whether they have recognised the challenges family businesses typically face as occurring or likely to occur in their own businesses: understandings necessary to a decision to seek external advice on family business issues. I inquire into the need for external advice as evinced by the interviews (4.5).

Propensity to and deterrents from seeking advice are identified in the survey while the interviews afforded greater penetration into the reasons for acting, or not. The behaviour of those I have termed 'impervious patriarchs' is explored in some depth (as well as the 'shadow' claimed to be cast by founders): for though such individuals may not represent the prevalent form of entrepreneur encountered, they can nonetheless cause distress to their relatives and place their businesses in jeopardy.

Trust as a condition of the engagement of advisers was a dominant theme in both survey and interviews. How it is acquired and retained is explored in section 4.8. The concept of 'vicarious' trust is introduced acknowledging the power of references in decisions to engage advice.

In section 4.9 the way in which survey respondents and interviewees attested to the value of external advice and on decisions to act upon it is recounted.

The remaining sections concentrate on the providers of advice drawing out the foremost place occupied by accountants (section 4.10.1) as advisers and the competence with which they assist clients on family business issues. Accountants as resources, referring clients to more specialist advice when at the limits of their own competence are reached, are distinguished from accountants seen as 'gatekeepers'. The contribution of other professional advisers is outlined.

'Process' and 'expert' advice are distinguished (section 4.10.3). While all advisers to family businesses are expected to be expert in one or more technical disciplines, the

eliciting of problems and the drawing out, mutually, with clients of alternative solutions is the mark of the process consultant. Their respective contributions are discussed.

The concern of this thesis with the accessibility and relevance of family business advice requires study of the means by which advisers gain their skills. Awareness of the need for training has prompted the introduction by Family Business Australia, based on longer established programs by FFI internationally, of formal courses which with other requirements can lead on completion to accreditation. The quality and relevance of these courses evinced strongly held views, not always favourable. The nature of the program is contrasted with training by some adviser practices aligned with (but not in the main consciously) theories enunciated by Schön (1991) on the indispensability of learning by doing and of reflexion-in-action and its primacy over theory as a guide to practice. I note in particular the practice of what one adviser terms 'shadowing' to introduce to the novice knowledge gained by the 'master' through experience and maturity.

Section 4.11 acknowledges advice provided by peers, 'experiential advice', individually and through networks. This is found to be more pervasive than expected.

The coverage and value of formal networking groups are surveyed including FBA's Forums, TEC (The Executive Connection) Groups and those facilitated by South Australia's Business Enterprise Centres (BECs) and Regional Development Boards (RDBs). The condition of the 'un-networked' is reflected upon.

A still embryonic concept of a 'community of elders' is described with reflexions on its potential, elders being senior members of business families who have the time and commitment to offer help to other families.

The concluding section reflects on public policy implications of the research.

4.2 Data

4.2.1 Survey data

Section 3.3.2 of Chapter 3 provided a justification, as a precursor to a program of interviews, for employing a quantitative survey by means of an email questionnaire to South Australian family business CEOs. It described the provenance of the database, the resulting samples, their representativeness and limitations.

The absence of reliable and consistent data on the population of Australian family businesses of a kind, for example, provided by the Central Office of Statistics of Ireland, but not by the Australian Bureau of Statistics, is a serious shortcoming in the

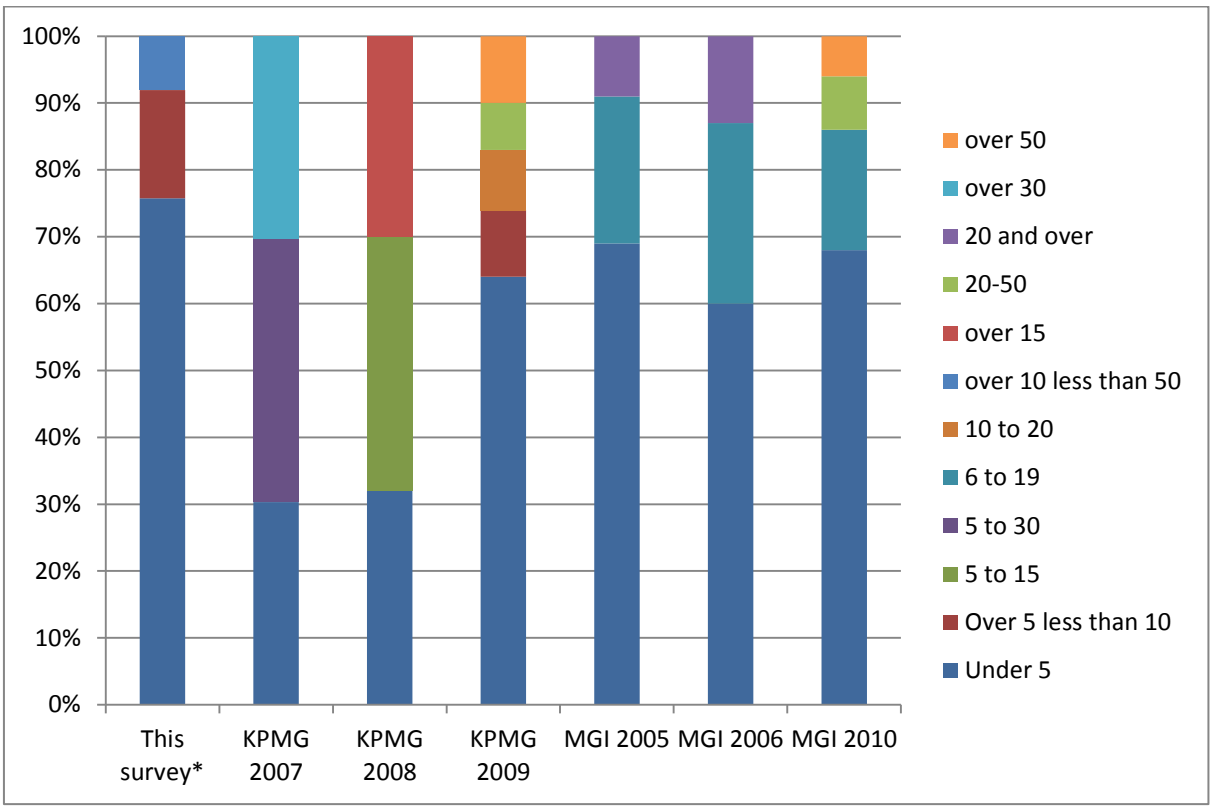
endeavour to assess the representativeness of data in this research – as of data by others' surveys. In order to assess the credibility of my data as well as possible I sought comparisons of it with data in surveys previously undertaken. Comparisons were attempted and these are shown in Tables 4.1, 4.2 and 4.3 below. However, such comparisons cannot yield rigorous results because different definitions of family businesses are used and different choices of size bands adopted in relation to both turnover and numbers of employees. However, the comparisons do not indicate that the data is incompatible with that of earlier surveys.

Figure 4.1 compares the size of companies by turnover band in the present survey with those produced in successive surveys of Australian family businesses by accountancy firms KPMG with FBA, and MGI with RMIT University (Glassop, Hagel & Waddell 2006; Smyrnios & Dana 2006; Glassop, Hagel & Waddell 2008; Dana & Smyrnios 2010). I used the turnover bands of the Australian Bureau of Statistics in the expectation (not so far realised) that ABS would produce useful series. The other authors used their own – which differed from year to year. My data, like KPMG's for 2009 and the MGI for all years indicate a preponderance of businesses with less than $5m turnover, while mine fail to capture businesses with turnover above $50m. This does not indicate unrepresentativeness since in Australia in 2009, only 6% of businesses had a turnover in excess of $2m (ABS Catalogue 8165.0 2010).

Figure 4.2 compares the size of companies by employment band in the present survey with those conducted by KPMG (Glassop, Hagel & Waddell 2008). Again I used ABS bands, unlike KPMG.

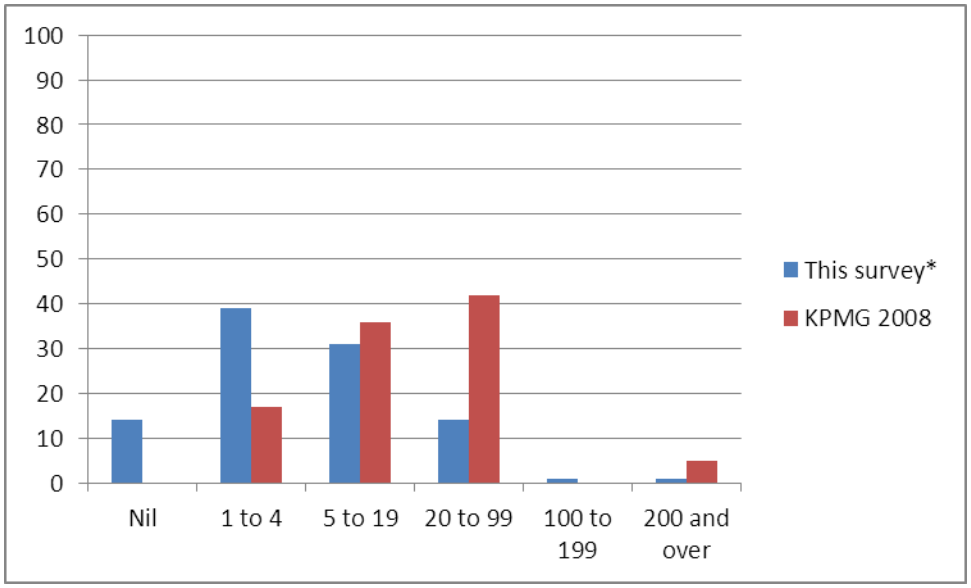
Figures 4.1 and 4.2 both indicate that the present sample of South Australian firms is weighted more towards smaller firms in terms of both turnover and number of employees compared with those conducted by accountancy firms KPMG and MGI of companies Australia-wide. This does not in itself call into question the credibility of the data in the present survey.

Figure 4.1 Business size by turnover $m



*of respondents, numbering 120, who recognised their businesses as family businesses

Figure 4.2 Business size by bands of numbers of employees, percentages

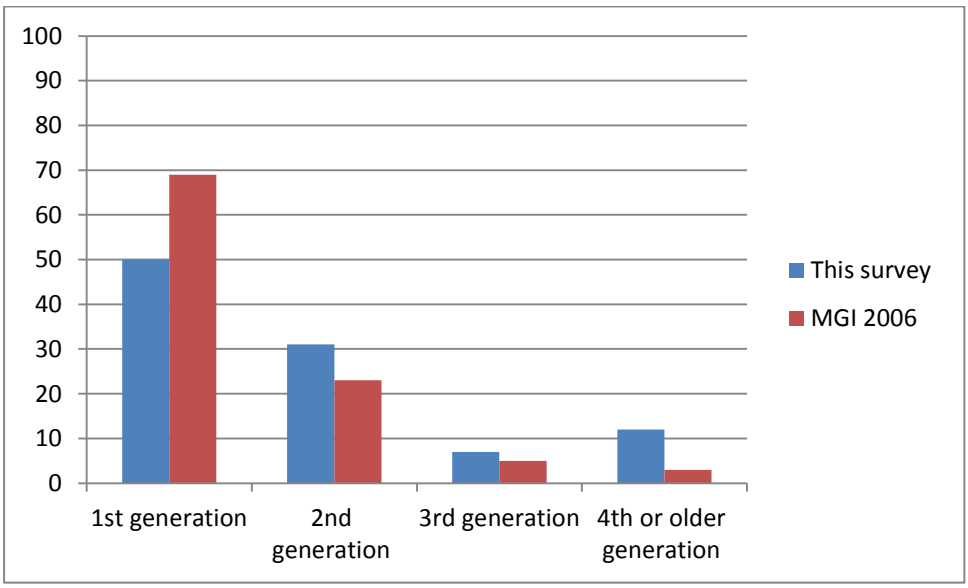


*of respondents, numbering 120, who recognised their businesses as family businesses

As an additional check regarding the credibility of my data, I inspected that produced by Mandl (2008, p.49) for the 'size class distribution of numbers of employees within the family business sector' for eight selected European countries. My data in Figure 4.2 fall within the same range as that of the European data.

MGI present data indicating family businesses' generation defined in terms of the 'current generation managing the business' (Smyrnios & Dana 2006, p.15). My data, defined in terms of the oldest generation involved in management, generally correlates (Figure 4.3)

Figure 4.3 Business generation, percentages



4.2.2 Interview data

Section 3.3 related how the interview program was constructed, the interview guides used, the numbers of interviews of each class of interview participant and reflects on the likely representativeness of the views emerging.

In subsequent sections interviewees are identified by code numbers, eg, C2, with the letter A signifying adviser and C signifying CEO or other family business member. As already mentioned, people or firms encountered by me before my research began are identified by pseudonyms, eg, Kovacs.

'Boxes' are intended to provide supplementary information without breaking up the narrative flow.

4.3 Family businesses' recognition of themselves as such

This section and sections 4.4 to 4.9 which follow relate to the first of the thesis questions on propensity of family businesses to seek and take advice.

While working as a family business adviser I observed businesses which under most accepted definitions (see Section 1.3.1) would be regarded as family businesses but failed to regard themselves as such. 'No, we're not a family business, we're doorframe manufacturers', was a typical response - from the managing director of a large joinery business where his two daughters were employed. As a consequence, specialist advice was not sought and challenges went unanticipated. Dillon et al (2001) found that 14% of respondents to a survey of South Australian family businesses answered, 'no' to the direct question, 'Do you consider your business a family business?' even though they met at least one of their definition criteria. So it is a tenable proposition that family businesses do not seek external advice about issues characteristic of family businesses because they do not recognise themselves as such.

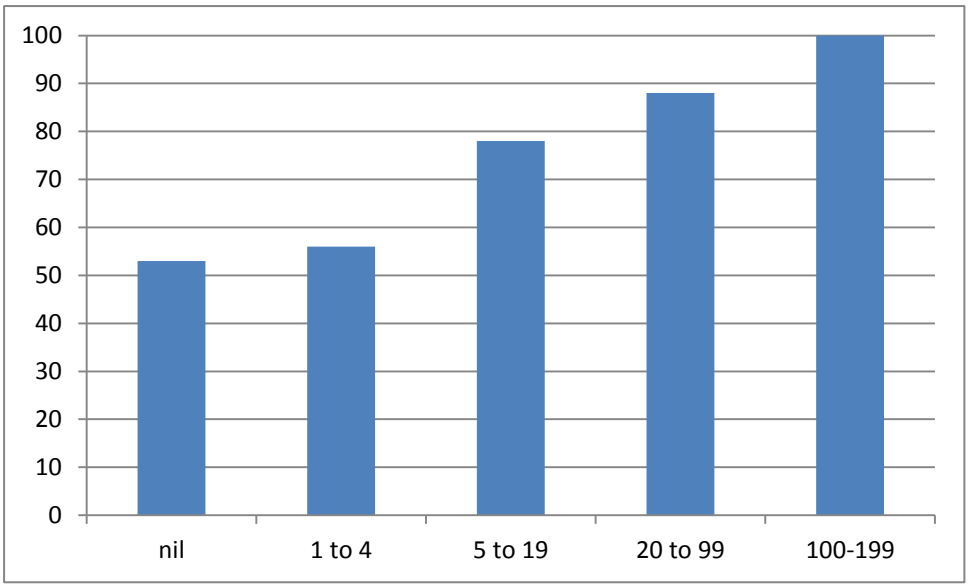
Cappuyns et al (2003, pp.1-2) compiled statistics from agencies in 45 countries regarding the proportions of businesses which were family businesses. The responses (applying various definitions) reported proportions varying from 60% (France) to 'less than 80%' (Italy). Australia was not reported on. Moores & Barrett (2002, p.8) quoting Beckhard and Dyer (1983) state that more than 90% of US businesses are family businesses, while over 76% of UK companies are stated to be family owned (Leach & Bogod 1999, p.xv quoting BDO Stoy Hayward). Moores and Barrett (2002, p.9)(2002) suggest that 'what knowledge we have suggests the significance of the sector in Australia is 'similar' to that in UK and USA. It is therefore surprising that ABS (1999) reports that only 2866 or 29.4% of 9733 employing businesses surveyed considered themselves family businesses. This gives credibility to the suggestion of low self-recognition.

So the questionnaire asked its recipients whether they did recognise their company as a family business. Respondents overwhelmingly did: (89%). Recognition as a family business derived, in respondents' views (not mutually exclusive) from ownership of the business by members of one or more families (66%); from the family's or families' control of the business's governing body (29%); and by the families' occupation of management positions in the business (50%). Moreover, two thirds of respondents intended to pass the business to family successors, a characteristic germane to many definitions of a family business. A significant finding was that the greater the size of the business, the greater this proportion (χ_2 (4, n = 117) = 10.382, p =.034) see Figure 4.4. A similar question posed by KPMG (2009) found slightly more than 40% intended to pass on the business.

However, while only 15 out of 140 respondents replied, No, to the question, 'Do you recognise your company as a family business?' selection bias may have made this

figure unreliable. A large but unidentifiable number of family business recipients of the questionnaire may have 'disqualified' themselves from responding, while at least one BEC database holder had filtered out those he knew not to be family businesses. It is not possible, therefore, confidently to refute an assumption of low self-recognition.

Figure 4.4 Intent to pass on business by employee number bands, percentages



4.4 Awareness of 'family business' issues and preparedness to act on it

My experience as family business adviser indicated on occasions that family businesses, while acknowledging themselves as such, were unaware of family business-type issues which could present future challenges, or were not conscious of those currently affecting their wellbeing or performance, and as a consequence did not seek external advice about them. This is possibly a manifestation of a recognised failure to seek advice about a condition because those affected did not perceived it to be 'problematic' (Fisher et al in Gottlieb 1988). The survey sought elucidation. It asked the question, 'are you aware of "family business" type issues arising in the business?' and invited indication of those of which they were aware (if any). The results are shown in Table 4.1.

Table 4.1 Issues of which respondents were aware

Issue	% 'aware'
Need to plan for succession	55
Mismatch between family and business goals	39
Conflict between family members affecting the business	38
Governance: company board, family business council	33
Recruitment and reward of family members in the business	31
Need to finance ownership without relinquishing control	21
Reconciling shareholders' demand for liquidity and the needs of the business for investment	19
Other	2
None aware of	13

Most respondents recognised multiple issues, the distribution being shown in Figure 4.5. However, there was less awareness of at least one issue among the smallest companies by turnover (Table 4.2) and by employment band (Table 4.3).

Figure 4.5 Awareness of numbers of 'family business' issues

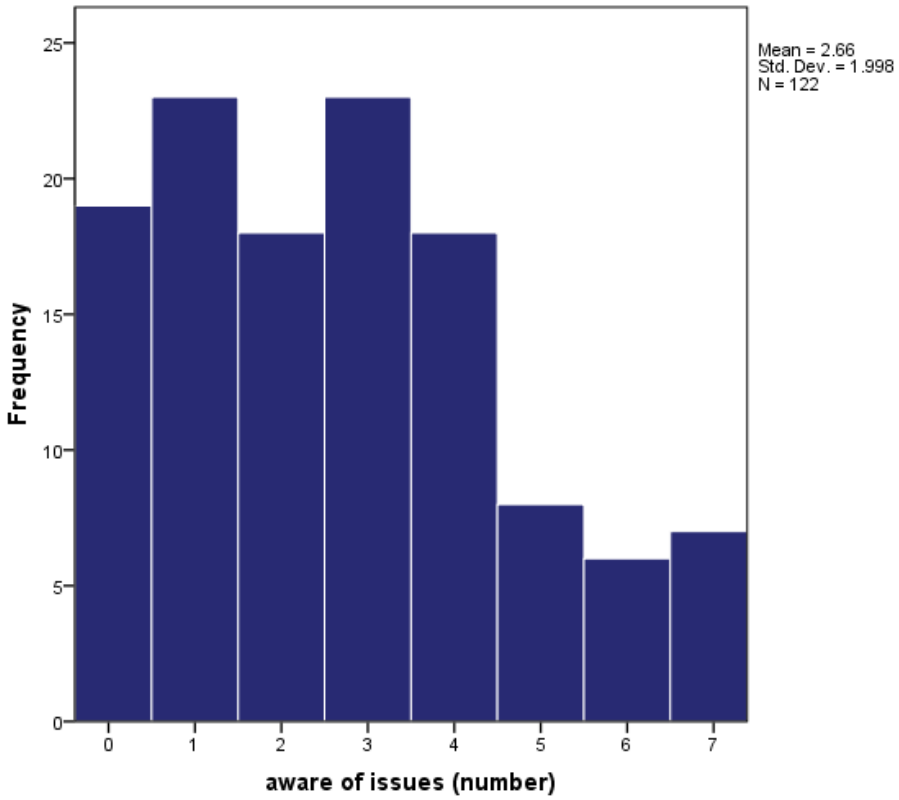


Table 4.2 Awareness of issues by turnover band

Turnover band $m*	Aware of at least 1 issue, percent
Under 5	76
5-10	95
Over 10	91

* in 17 responses turnover was not recorded: 'awareness' among those that did record it was higher than in the total sample

Table 4. 3 Awareness of issues by employment band

Employment band	Aware of at least 1 issue, percent
nil	59
1-4	75
5-19	87
20 or more	100

Awareness increased with the age of the generation involved: 25% of owners of first generation businesses declared they were unaware of any family business issues; 11% of second generation businesses similarly, and none among the third and older generation businesses. (This ignores the five percent of respondents who neither identified an issue nor denoted unawareness of any).

Since the need to plan for succession was the issue of which business people were most aware, awareness, as might be expected, grew with the number of generations that had been involved with the business. It was also positively associated with business size by turnover. A chi-square test confirmed that this was so at the 99.9% confidence level. (χ^2 (2, n=123) = 13.363, p = .001).

All but three of the twenty CEOs interviewed were aware of the need to plan for succession. Relatives (C4, C17, C40) of the three however, were aware. C17 said:

> *I've been saying for a long time: we need to really think about it. But of course (Basil) is very much the cross-the-bridge-when-we-get-to-it type, and I'm saying, let's start building the bridge so we can cross it.*

Only two had a documented, agreed succession plan in place. One (C1's) was widely known about and recognised as a 'copybook' by other family business people, some aiming to emulate it. The other concerned the future of an enterprise that was not

only a family business but an advisory firm (A18), the case of a teacher also doing. Others' plans were being developed (C9, C15, C16, C19, C24, A32, C36) and two (C5 and C23) began the process prompted by my visit.

Awareness of the need to plan for succession often did not necessarily translate into action to address it. Reminders of mortality ('I had cancer last year', C9) could prompt, but also be suppressed. The death of a brother led to this exquisite casuistry:

> *It took away the invincibility of the whole …it's something that from my point of view you become what you think about. If you think you're not going to be here you need to have a plan to deal with your exit and you probably will exit. I don't plan to (C22).*

In sum, in most businesses, family business issues were recognised (if not always by the CEO). Multiple issues were frequently recognised, with a mode of approximately three issues. But in about a quarter of both smaller and younger (first generation) businesses no issue was recognised. This might mean that no issue had arisen yet, but could also mean that they would not be anticipated in the future, necessary if they are to be dealt with thoughtfully and with the best chance of satisfactory resolution. Thus on the issue of succession Jaffe (2010, p.146) warns of difficulties 'if you don't begin to think about succession on the first day your son or daughter comes to work'.

4.5 The need for external advice

As family business adviser in the state government, I was referred to family businesses which in the view of public servant colleagues needed external help. Other businesses encountered directly were similarly in need, in my judgment. In some cases I referred the client on to professional advisers. Highly favourable outcomes were common. I cite a case where I was approached by the wife of the managing director of Croft's, a company in the South Australian Riverland. Her father-in-law had nominally ceded the position to her husband, but had retained his office and continued to discharge many of his previous functions, sometimes countermanding his son's instructions and maintaining oversight of some senior staff. The son had had a mental breakdown and was currently in a hospital psychiatric ward. The adviser embarked on a lengthy dialogue with father-in-law; he proposed financial arrangements that would assure him of retirement income providing the company was able to take advantage of prospects available to it. The adviser, an accountant, was also able to suggest changes of an operational kind. In the eventual outcome, the father-in-law stepped back from direct involvement in the business, the son was restored to health and was to prove himself a competent chief executive.

Another example demonstrates how business and family issues can be intertwined – and how an adviser skilled in accountancy, management and the human issues of family business was able to help resolve them.

Paul Danvers, third generation CEO of Danvers Quality Assessment Laboratory, the largest such organisation in South Australia, after experiencing doubts about both the company's future and his role in it, decided to become more active. His father still exercised considerable control. Paul recognised the need for advice regarding the direction of the business, and its long term viability. I referred him to a family business adviser. During the subsequent two years, with the adviser's guidance, the company took over its major competitor, established clear direction, moved into new markets and processes. Debts were extinguished. Paul took greater management responsibility with clarity established as to his role and that of his father. His father's personal assets were placed in a position of less risk. The family, still under the guidance of their adviser, went on to undertake estate planning for family members, and further steps in the transition of ownership. When last contacted, Paul was thoroughly enjoying the challenges of the company's specialist niche. The business is far more viable than it has been for a number of years, the team is passionate and empowered.

These successes were not unrepresentative of other cases. The 'Kovacs' story retailed in Chapter 1 offered an example, however, of an 'impervious patriarch', resistant to the notion of external help.

The research interviews prompt a simple typology in relation to businesses' need for advice. Typologies can be useful in linking differences in family firms with outcomes (Dyer 2006) and, I argue, behaviour. My typology has three classes: the obviously conflicted; the deeply harmonious; and the apparently harmonious or subtly conflicted.

In the obviously conflicted, like the 'Kovacs' or the 'Croft' family, referred to in this section above, a recalcitrant or 'impervious' chief executive acts in ignorance or defiance of other family members who are feeling pain. C4 feared for the future health of the company in the face of his uncle's obduracy: 'single-minded and maintaining control; isolated' (Kets de Vries, Carlock & Florent-Treacy 2007). Fortunately for the nephew, other members of the family supported him in his decision to seek and take external advice. This proceeded and attained some useful objectives in anticipation of bringing uncle into the fold.

C24 spoke of a transfer in which the incumbent, his grandfather, said:

> *I'll hand over, but I'm still gonna watch what you are doing for the next ten or twelve years.*

A similar process involving his own father was deflected when the latter was taken ill and not expected to recover. He did recover, partially, and external advisers have been invaluable in discerning the divergent interests of the actively managing son and the inactive but joint proprietor father. Since the advisers were competent accountants technical matters like the disposition of trusts could also be resolved.

Adviser interviewees recounted many instances of the conflicted family requiring their patient persuasion or, on occasion, full frontal confrontation with a resistant incumbent.

Secondly, there were genuinely and deeply harmonious families and businesses: not obviously candidates for outside advice. For example, a business founder had successfully handed over the management of the business to his two daughters in what could be regarded as copybook fashion. Yet in interview he was adamant about the need to have brought in a facilitator to guide the family in their two-year family and business plans. The adviser, he maintained, had introduced the agenda necessary for family's discussions, along with insights only apparent to someone both suitably experienced and outside the family. Three other interviewees had at the time of the interviews both a strong wish to make succession plans and uncertainty about how the complexities were to be tackled and with whose help. I was able to suggest appropriate sources of help. One, C5, later wrote about the experience (Box 4.1)

Box 4.1: a satisfied client

Well it has been a very successful process, this succession thing. My wife and I are now technically self-funded retirees and this is mainly your fault.

Well, with change there are adjustments and in this case all of them are positive outcomes for all concerned. Our warm thanks to you for your suggestion to use Mr. XY. He has been nothing short of fantastic. I said I would keep you informed the plan of attack, so the following is a brief outline of the steps taken so far and the short term current issues to be done. [Successive steps are outlined).

A further CEO had failed so far to find an adviser possessing the abilities and the values that he sought. He did not request my help. Other interviewees were in the process of forming plans with advisers with whose work they were highly satisfied.

Thirdly, there were apparently harmonious families where latent conflicts were uncovered in separately interviewing a second member of the family. In one case the actors were an aspiring daughter and a resistant mother. I questioned each on succession plans. Contrast one exchange:

Q: Oh, you do have a succession plan?
Daughter: We do: Mother wrote it. All by herself (laughs)

with a second

Q: And did you sit down together to make this plan?
Mother: Yes. It was easier that way.

Furthermore, the daughter said her mother would step down just as soon as the stock market recovered from the GFC, allowing her sufficient retirement funds. The mother spoke of transfer eight to ten years ahead. These respective expectations were firmly held, had never been clearly conveyed, and were unlikely to be, constructively, without an external catalyst.

Another case involved a stepdaughter (C17) in the business who was forming an interest in taking over one day (perhaps partly prompted by the interview) of which the incumbent was unaware. She 'trusted' that there would be no conflict with natural sons not in the business when the owner eventually died. An external adviser would elicit the issues and promote clarity in the matters.

An interview with a member of a third family, C16, a younger daughter of the incumbent, elicited some fears about the attitudes and expectations of her older sibling, in the business but not as a manager, when succession became a live issue.

In a fourth, harmonious, large family business the need for succession and operational planning for the future was obvious – and accepted. A preoccupation with the day-to-day and the comfort of procrastination forestalled efforts to address it (even after the shock of a younger sibling's death). An acceptable, competent external adviser would move things on.

All the foregoing suggests that the need, as distinct from the demand, for external professional advice is universal among family businesses, particularly as they confront (or shelve) the issue of succession. The need might be expected where conflict in a business exists (Jaffe 2010). My typology indicates a need among the more or less harmonious also.

4.6 Propensity to seek advice - or not

My experience as family business adviser prompted the belief that family businesses did not seek external advice to the extent that would be beneficial to them (see Section 1.2.1). Neglect to seek external advice was indicated in the surveys from which Tables 2.1 and 2.2 were extracted and in the sources quoted by Smyrnios, Romano et al. (1997) cited in Section 2.5.1. My research set out to explore what impeded them from seeking it, as well as what prompted them to seek it.

The survey showed preparedness to seek advice (from any source) increased with generation: 73% of first generations sought it, 78% of second, 89% of third, and all where the fourth and older generations were involved. This is consistent with the findings of Lussier and Sonfield (2010) that use of advisers increased with succeeding generations (but only significantly in comparing first and third generation firms). Interestingly, those that sought advice from accountants did not differ much between the generation, but the older the generation involved the more they sought advice from peers.

The survey asked about deterrents (Table 4.4).

Table 4.4: What deterred respondents from seeking advice

Reasons deterred from seeking external advice*	Percentage citing the reason
Professional advice is too costly	20
Unaware of relevant advice	12
We do things our own way	8
These matters are of too private a nature	7
I like to keep my own counsel	6
They would not understand our business	4
Other reasons	12

*multiple selections were invited

The two most quoted deterrents, 'too costly' and 'unaware of relevant advice' were issues for the smallest businesses: about a quarter of businesses with turnover of less than $5m were deterred from seeking advice because it was too costly; all but two respondents 'unaware of advice' had turnover of under $5m.

Respondents were invited to specify 'other reasons'. Those who did so included six who said they could manage the issues by themselves, among them two 'qualified accountants'. Two cited shortage of time. In doing so, one illustrated the pressures involved in growing a business:

> *Aware that we do need to address some issues but haven't had time or relevant info. My daughter has only been working with me for a year and we have been flat out growing the business. We do have an appointment to see our accountant to discuss some succession planning (C9).*

4.6.1 Cost of advice

Interviewees (C2, C6, C32, C33, C35, C38, A51) confirmed that cost was a major deterrent to the use of professional advice by smaller businesses: 'it takes a certain business size to be able to [afford] that' (C2). It was open to them to 'get advice from FBA where they can actually exchange ideas with people in similar situations' (C33). This is discussed in greater detail in Section 4.10 on Peer advice, networks and learning communities. BECs offered advice to start up companies: A19 had availed herself of their services to great effect. Small rural enterprises had access to Rural Counsellors free of cost. One experienced adviser (A51) distinguished between the 'over 65s', who 'find it difficult to shell out for advice' and 'those around thirty who think nothing of spending a hundred dollars on a massage'.

A number of advisers had made efforts to mitigate cost. C1 described how his adviser said:

> *I would like to handle this by coming down to spend time with the family, talk to each one of you individually and get a feel for the business and there will not be a charge for that. And then once I start working on the business, that's when the charges will occur.*

Another adviser, A29, aware of the difficulties associated with the GFC would:

> *ring up everybody and offer them time without charge, just to see if there were issues they were concerned about.*

A fixed fee was favoured by a number of advisers and their clients. A33 offered a fixed fee for a year. His clients were comfortable about that, removing concern when he rings them up that, 'Gee, he's got the clock on again'. A45 would aim to 'upskill' competent family business members so they could 'actively participate in the development of solutions'. A39 offered a fixed fee for successive stages of an assignment. Costs were controlled by A32 through the development of 'frameworks' that abridge the time taken on process consulting: in such work, they provide 'structure', 'so it not just laissez faire'.

4.6.2 Unawareness of relevant sources of advice

Four of the chief executives interviewed had admitted to unawareness of where to seek advice – all on the issue of succession, which all recognised as needing attention. None believed that the accountants they currently employed or whom they had employed in the past were qualified to assist in the matter. Two eagerly sought advice as to whom they could turn: one, C5, declaring it would be 'fabulous if there was someone who could say, "these are your options"'. He subsequently received and took such advice - with the highly favourable outcome related in Box 4.1. The other, C23, met and was impressed by a suggested adviser, but at the time of writing

was postponing the engagement on account of pressing commercial matters. Of the third, C10 did in fact bring his family together for a meeting chaired by his company's accountant, with a promising outcome. The position of the fourth remained unresolved.

4.6.3 'Privacy'-type reasons

A considerable number, 21%, of questionnaire respondents selected 'We do things our own way', 'these matters are of too private a nature' or 'I like to keep my own counsel'. Sources quoted in the Literature Review chapter spoke of the 'secretiveness' of family business people whose concerns were 'not the purview of outsiders' (Ward, JL & Aronoff 1993; Kets de Vries 1996a). These are well represented, then, among questionnaire respondents. But because only one of these respondents agreed to be interviewed I was unable to gain useful insight into what lay behind the attitude. The one 'private' respondent who was interviewed ascribed the view not to herself but to the owner, her mother. The mother, C11, preferred to gain advice 'from books', although she admitted her daughter 'every now and again drags me out of my hermit shell to attend FBA meetings.'

4.6.4 Diffidence

Aronoff and Ward (1994, p.10) maintain that 'even successful entrepreneurs are often too humble, unassuming or unsure of themselves to seek out the best advisers'. This diffidence was encountered, but not widely, in the interviews. One successful CEO (C5) spoke of business people's reluctance because of fear of 'exposing their inefficiencies or inadequacies and they shouldn't be running the business anyway'. The context of his remark made it likely he was referring to himself. This was a CEO without the confidence building benefits of a network. Subsequently he went on to engage an adviser on my subsequent advice and was delighted with the outcome.

4.6.5 Mortality

> *All the work we consultants do in family-owned businesses in regard to ownership…implicitly deals with the issue of loss and death* (Hubler 1998, p.190).

However pervasive, the topic - in reference to deterrents in seeking advice - remained largely implicit in the research. I did not include it in the list of possible deterrents in the survey questionnaire (sheer pusillanimity), nor did respondents volunteer it as an 'other reason'. When, nevertheless it did arise in interviews its strong influence was acknowledged. An adviser, A18, maintained clients were reluctant to seek advice about succession because they 'didn't want to admit that they're not going to do [the job] for ever'. The relative of a CEO maintained he never (openly) contemplated death, 'because he likes to think he's an optimist and that you

shouldn't think about such things' (C17). The brother of the CEO of another family business (C22) confessed that the death of their brother 'took away our immortality' and prompted some 'worry about our own health', but not sufficient to seek advice on succession planning (previously referred to in Section 4.4). Even confrontation of the idea can result in ambivalent action, 'even to the point of setting up things to control from the grave' (A31).

Advisers had found two ways of countering refusal to contemplate death: concentration on practical minutiae –

> *I bring up something like, if you will it through your will you are going to pay a $10 stamp duty fee or something like that; it brings it back to, yes, I can do that. It's not too hard… (C38).*

Or they might encourage thought and discussion on business plans that their children might make:

> *Don't ask for answers there and then, I'd send them away to think about it. And it's amazing how they come back with all these new ideas. (C31).*

4.6.6 Psychological barriers

This section acknowledges the patriarch who is 'impervious' to external advice, and the pain he can cause to relatives, to be well-recognised among family businesses. And as Levinson (1996, p.531) has put it,

> *The most difficult problem in family business consultation is the fact that the key figure in the system does not have sufficient pain to want to change.*

Remedial processes are not widely forthcoming: they are likely to be lengthy. Those with less pronounced traits can be managed by relatives. Many more entrepreneurs are receptive to and benefit from external advice. Patriarchs are said to exercise constraints over the thinking and acting of their successors. This phenomenon has scarcely been identified in my research and where this tendency exists family members have been able to counter it (and are likely to succeed in the story of C4 and C7 in the paragraphs below).

The impervious founder-entrepreneur: the interviews revealed a preparedness to take advice among many truly entrepreneurial family business CEOs. Yet the 'entrepreneur' has been portrayed as having 'great difficulty in taking direction from experts whose help they need in running their business' (Kets de Vries 1996b; Anderson, A, Jack & Dodd 2005) : They are 'self-made prisoners of the past' (Kets de Vries 1996a, p.878)

> *apt not to follow 'prescribed rational processes' but making decisions in accordance with their own 'inner theatre'; being ',' suspicious of others; allergic to authority; single-minded in maintaining control; narcissistic; isolated'.* (Kets de Vries, 1996, 2003).

Leach & Bogod (1999, p.38), similarly, write of 'difficult, highly individualistic people who have the instinctive conviction that only they are right'. It was an encounter with such a person and his suffering adult children that provided me with much of the emotional stimulus to embark on the present research (refer to Box 1.1 in Section 1.2.1). At the 2010 FBA National Conference my portrayal, and that of my co-presenter, of such a character triggered clear recognition from a large family business audience. Yet in the course of the study I interviewed only one individual who matched the 'Kets de Vries' portrait, the children of another, and three more having some of its traits.

C7 (whom I shall call Glyn) is the fourth generation joint managing director of a large complex of family businesses. His resistance to the engagement of professional advisers is as strong as to the practice of networking. By way of illustration, the remaining management members of the family arranged for an adviser to help facilitate a strategic planning and succession process. It was highly desirable that Glyn, at the least, acquiesced. The adviser was despatched to bring him into the fold. As recounted by a fifth generation interviewee (C4):

> *Geoff [name changed] walked into my uncle's office and Glyn said, don't sit down. Geoff said, 'I'm here to discuss…': Glyn said, 'I understand what you're doing, I've got my head well and truly in the sand, I might get a grain of sand up my nose every now and again but that's how it's going to be and thanks for calling, but don't waste your time'.*

Discussions between the remainder of the family facilitated by Geoff continue.

C11, the sole proprietor of a substantial consultancy company, was described by her daughter, C8, as 'an entrepreneur, so she likes control', so in the succession process 'actual ownership is the last thing that gets handed over'. But she is open, 'She'll tell almost anyone anything, it's one of the characteristics of our business'. She sees little need for external advisers on family business issues, preferring to keep a small library of books on the subject, 'because she can curl up in bed and read [them]'.

C12 is the founder and owner of another technical consultancy. He is, according to his stepdaughter (C17) who works in the company, 'very competent and self-confident'. He says he networks: 'Adelaide is effectively a network, and I love that because it makes business so much like a family itself'. He resists the engagement of professional advisers and his stepdaughter's promptings to engage. His reasons are, bad early experience of their use; intense preoccupation with the day-to-day; and (according to C17) parsimony, an upbringing in straitened circumstances.

The fourth CEO, (C20) scarcely fits the Kets de Vries mould, although he shares some of the positive characteristics; energy, self-motivation, the desire to create. He seeks advice from peers , but although his situation might be thought overdue for the engagement of a facilitator to help plan the large company's succession and its very future, he has failed to find over many years the adviser with the empathy, 'common ground and common values' and the ability to meet his expectations.

The rarity of the 'pure' Kets de Vries entrepreneur should not allow the pain they cause to be discounted. One experienced adviser (C32) said:

> *the relationship between this behaviour and mental health is bloody unreal*

particularising,

> *these two kids have been absolutely hammered and had completely lost their confidence and it's a real tragedy.*

No infallible way of countering patriarchs' destructive behaviour has been conveyed to me. Some advisers' response was to decline the assignment: 'avoid them like mad' (A47). Partial success, at least, has sometimes been achieved. Advisers A32 and A39 have judged it appropriate to 'front up' to the oppressor:

> *I went, 'Shit, mate, if you actually realised what impact you are having on your kids you would be absolutely mortified' (A32)*

Some backing down was observed. He contemplated a long process ahead in which he would work on a vision and a charter, the purpose of a board and how it will operate. 'But it will take an inordinate amount of time'. A29's approach was similarly vivid, warning the patriarch that 'when you are dead your family will piss on your grave.' In response, limited corrective action was taken. A52 would attempt to teach self-awareness, but if that did not work, to stand back and wait:

> *if people don't listen to the tap on the shoulder what will happen is the Mack truck will come, it will come, there's no doubt about it.*

A51 had advised relatives in extreme circumstances to take matters out of the oppressor's hands and into those of the Board of Guardianship. She believed the more productive course was to support the children, 'who have to go back into the war zone every day' (A52).

More subtle approaches have been attempted. A41 is striving to help other family members to adopt a more 'corporatised' constitution for the company with a formal board. A39 looks for allies, female especially, wives in particular. A29 advocates 'just chipping away', but doing so with modesty, acknowledging that they (the patriarchs) 'are more successful than I could ever be...so who am I to tell him to step down?'

Another (A50) believes that the best that advisers like him can do is not in direct contact with the patriarch but by helping to limit the damage: by providing opportunities for suffering family members to be 'supported and nourished', and given a forum where they can share their 'hurt and frustration'. They may consequently become less vulnerable and from a position of greater strength actually be able to influence the patriarch.

The client's behaviour may be an outward side of fear and insecurity. In which case the discerning adviser (for example A39) would seek ways of generating a sense of hope that they can help solve problems without damaging their self-respect.

For Sonnenfeld and Spence (1989), the impervious patriarch would be recognised as a 'monarch' in his typology of leadership exit styles. Their advice is to present such leaders with models of those 'top leaders' who successfully detach themselves from their firms – with their esteem intact.

This is the extent of the evidence of 'Kets de Vries' tendencies (as listed in the quote at the beginning of this subsection) among our 51 interviewees, with some advice on how they may be countered (or evaded). The body of contrary evidence in this study as to entrepreneurial characteristics is substantial – and aligns with the findings of Cooke (2007, p.101) that 'entrepreneurs take to "networking" as a given…they are highly sociable'. It emanates from three kinds of sources: advisers reflecting upon their clients; from CEOs'/entrepreneurs' relatives; and from CEOs themselves. It is derived both from what they directly maintain and from what can be implied by their actions as they relate them.

An adviser, A37, acknowledges acquaintance with 'resistant' entrepreneurs. They are few in number and this form of entrepreneurialism 'may be covering their own insecurity'. Another, A33, said:

> *the entrepreneurial people I find will seek advice, though some of the more staid people will think that getting professional advice is one, a sign of weakness, and, two, it's costly'.*

He went on:

> *the most successful people you'll find in small businesses are those that not only seek professional advice from the likes of us but get involved in organisations like FBA or industry groups where they can actually exchange ideas with people in similar situations.*

This view was corroborated by an entrepreneur himself (C2). He rebutted the Kets de Vries portrayal:

> *I think clever entrepreneurs often are very good networkers and networking often means collaboration.*

He concedes:

> *There would be some notable personalities in South Australia that would differ from that and have been very successful: 'V' (a well known baker) would be one character who sort of stands alone as a self-made person, and because he is so successful perhaps thinks he doesn't need to belong to anything.*

Twenty family business CEOs were interviewed. At the risk of subjectivity I offer a collective impression. They are typically energetic, creative, concerned with goals far wider than profit maximisation, often supportive of local communities and causes, and open, frank and balanced.

Six were particularly enthusiastic about the qualities of the advisers they currently or recently engaged and about the benefits arising from their engagement. Four others were more or less active searchers for an adviser to meet their needs (two of whom subsequently identified the adviser as a consequence of my interview).

Of the 'enthusiastic' engagers, one was a remarkable new entrepreneur who having lost her job in social services formed a business with almost no capital and no previous experience in the field she entered. C22 recognised early on that:

> *'you can't be an expert in everything. I've learnt that if you focus on what you're good at and do it and let someone else do other aspects…*

She made the further discovery that a lot of advice was free, for example from her local Business Enterprise Centre. She therefore was able to assemble a team - a coach, a mortgage broker, a banker (interestingly, all women) – whom, along with her daughter, she regarded as partners in her (now rapidly growing) venture.

Among more established 'enthusiasts' was the founder and chief executive (C1) of a South Australian family business who had recognised the need for management succession and had handed over his business to his two daughters in copy-book fashion. In his interview, he was adamant about the value of a facilitator to guide them in their two-year family and business plans. The outside adviser had introduced the agenda necessary for the family's discussions along with insights which were only apparent, in his view, to someone both suitably experienced and outside the family. In regard to the required talent, he did not need

> *someone from outside to say instead of ticking that box you should have put a cross through it. [But someone] to see that within the walls of the business there is the answer and the business hasn't had the ability to draw it out and solve it.*

A second entrepreneur, C15, who had developed one of the largest South Australian businesses in its sector, discovered the kind of expert he needed at a presentation. His style was to say,

have you thought about this? Have you thought about that?' 'What do you think about this?' and to …,, my wife, 'well what do you think about that?' 'Is this what you want to do?' and then he offered us a process of looking at where we personally want to go, individually…

Propositions of potential application to the family business patriarch can be found within the writings of institutional theorists. Oliver (1997, p.701) writes of the extent to which firm behaviour is:

> *compliant, habitual, unreflective and socially defined, [bound by] cognitive sunk costs, …for example… a firm's reluctance to digress from its founder's vision.*

The founder's shadow: Davis and Harviston (1999) refer to a 'generational shadow' which can be cast by the founder over the organisation and his (her) successors, shaping structure, attitudes, norms and values (Pieper 2010), even over several generations (Chirico & Nordqvist 2010), though since organisational culture is dynamic, the influence may attenuate over time (Schein 1990). Eddleston et al (2010) draw on researchers who find that the experiences of founders have an 'imprinting' effect on firms, and that family firms will be more path-dependent than nonfamily firms because of members' affinity with their forbears.

The foregoing prompted a search in the present investigation for constraints of thought and action induced by a family business's founder over the actions of successors or subordinates, particularly with regard to the engagement of external advice. The four possible candidate businesses are those where the founder or incumbent chief executive has resisted or impeded the engagement of external advisers.

In the large family business referred to above in which C4 and C7 are players, C7's adamant rejection of the use of advisers has been met not with compliance but with, in effect, subversion. C7 is, in the words of his nephew (C4), an 'alpha male who wants to maintain control'. C7's fellow directors - brother joint managing director, nephew and non-family company secretary – along with C4's mother and brothers are motivated by a concern about maximising the company's future opportunities – as well as succession. They all believe they should be sitting round a table with a facilitator 'having a discussion about who wants to achieve what'. And C7 'isn't really attuned, not open to discussion of it'. They have had two round table discussions in the past 17 years of C4's involvement in the company. At the latter one, minutes were taken, action points noted – 'and we've never met since!' With the engagement of 'Geoff' by the dissidents, an adviser of strong personality and resourcefulness, it may be that their wishes will prevail. It is sufficient to note here that the family is far from compliant in the matter of an engaging external adviser – and may succeed in overcoming the dominant C7's opposition.

C8 is engaged in a constant good-humoured fight with the mother (C11) she loves 'dearly', founder of and sole shareholder in the company: the battlegrounds have included the extent of delegation and with C11's concern with minutiae. Looming is the matter of the date of ownership transfer, a contest still to be joined. C8 needs the expertise of an adviser, and will probably engage one in due course. She is not compliant.

C17 is more junior, by comparison with C8, within the organisation founded and led by her stepfather, C12. She admires him greatly and in our hour's conversation describes his many strengths and admirable attributes. But she also, in a modest manner, recounts all the occasions when she has argued a point and prevailed, be it the need to relocate the business, the need to have a website, and even the purchase of a desk so her stepfather 'could have one of his own'. She recently told her mother that there was an article about succession planning in a technical journal: 'put it under his nose and see how he reacts'. There is no great conflict in this family, but C17 shows an independent spirit and, one suspects will get her way in the matter of succession planning. In relation to prospective advisers she would act as 'trust catalyst' (cf. Section 2.10.3).

C20 is the creator and chief executive of a business with over two hundred employees. He admitted that external advice was needed to help plan the organisation's future and the succession; also to formalise structure and introduce explicit procedures where vital knowledge is lodged only in his own head. He has engaged advisers from time to time, but not for long and not to help tackle more fundamental issues. His overt response to the need tends to be flippant: he quotes his son:

> *'Dad, if you're planning to live to be 120', which he's heard me say a couple of times, 'I don't want anything from your will because I'll be dead before you'.*

The death of C20's brother aroused consciousness of mortality, but not a resolve to address its implications or follow up the ideas of an external facilitator, briefly employed.

C20's surviving brother, C22, works for him. He shares his outlook. 'Most years' there is a shareholders' meeting where the idea of succession is:

> *kicked around a little bit, but it always gets put as too hard, so we had better go on living and working for ever. So then we won't have to talk about it.*

I spent sufficient time, separately, with the brothers to be able to dismiss any belief that the younger brother was 'compliant' towards his boss. The word that springs to mind, the *mot juste,* is complicit.

4.6.7 Other reasons for not seeking advice

Some questionnaire respondents elucidated their 'other' reasons for being deterred. Most were distributed, fairly evenly, among the reasons previously listed, ie, cost; not knowing where to go; and preferring to do things one's 'own way'.

The interviews added to the list: needing more time; lack of self-confidence, fear of 'exposing their inefficiencies or inadequacies' (C5); the exigencies of simultaneously growing a business and growing a family; a general belief that advice would be 'tainted' or 'calculated to mislead' (C7); rendered unnecessary by consulting textbooks (C11) or peers (C13). 'I emailed a handful of friends...we tend to talk a lot amongst ourselves'; previous 'bad experience'; doubt as to the transferability of the business; or as 'qualified accountants' themselves, not needing to be advised externally (A18).

4.6.8 Family businesses: not reluctant seekers of advice

Ninety percent of survey respondents who had registered the presence of at least one family business issue signified they had engaged external advice (and a small number, six, of those 'unaware' of issues had nevertheless sought advice). Resort to advice increased progressively with generations involved: from 73% in first generation businesses, 78% in second, 89% in third and 100% in fourth and older.

Those who had not sought external advice were requested to say what deterred them. Reasons are set out in Table 4.4. Twenty four of those who **had** sought advice from at least one source had nevertheless claimed to have been 'deterred' from doing so by the cost of advice or for other reasons. The apparent inconsistency could possibly be explained by the seeking or not seeking advice on different occasions. The interviews explored the issue in depth: of twenty CEOs interviewed six had not sought external advice about family business issues. Explanations for not doing so were:

- an unusual degree of self-sufficiency partly explained by systematic study of competitors and counterparts in his business sector (C2)
- a professed reliance on textbooks and a tendency towards 'impervious' characteristics (see Section 4.6.5 below), (C11)
- pronounced 'impervious' characteristics (two, C7, C43)
- 'parsimony', bad previous experience of advisers (on non-family business matters) and a reluctance to confront insipient challenges (C12)
- reliance upon employees and other family members in the business to an unusual extent (C44).

The initial impression of reluctance which prompted my research is not clearly borne out. I believe the impression was formed from a perceived reluctance to seek **professional** advice, reinforced by anecdotal descriptions of the tendency as described in the literature, cited in Chapter 2. The impression might also have been heightened because my family business clients found my advocacy of professional advice unconvincing. The following sections, however, will disclose both: the extent to which family businesses seek advice routinely (though not always productively) from their regular accountants; and also the pervasiveness of **peer** advice.

4.7 Sources of advice on family business issues

As expected, the most frequently cited source were accountants (discussed in detail in Section 4.10.1). This is consistent with the American and British data set out in Tables 2.1 to 2.3 in Chapter 2. Some elaboration about previous use of accountants was sought from those who had cited the profession as a source of advice. When engaged, 88% had previously given 'general business' advice, 76% had assisted with 'compliance' matters, and 51% with management matters.

The outstanding difference in the present data compared to that previously cited is the importance of business peers as a source of advice (Table 4.5). However, in relation to SMEs in the north of England, Berry, Sweeting and Goto (2006) had observed the use of networks as comparable to that of accountants. And Ramsden and Bennett (2005) observed similarly the use of customers, suppliers, friends and relatives among SMEs in Britain. It is noteworthy that in the present study 'family member not in the company' did not rate highly as a source of advice. Insofar as this data is representative of the general population of family businesses it would cast doubt on the power of the families' social capital to increase the business's self-sufficiency and lessen its need for advice from external sources and other 'proximate institutes' (Arregle et al. 2007). Interview participants, moreover, although questioned on the matter admitted no resort to the advice of family members not in the business.

Table 4.5 Sources of advice

Advisers from whom advice had been sought*	Percentage of those seeking advice using the named source
Accountant	81
Business 'peer' (owner/manager of another business)	41
Solicitor	41
Family business adviser	24
Bank	18
Friend	14
Family member not in the business	11
Non-family manager in the company	6
Customer/supplier	5
Other source	5
Business association other than FBA	5
Family Business Australia	3
Business Enterprise Centre or Regional Development Board	2

*multiple selections were invited

Survey respondents were asked the reasons for their choice of sources of advice. Outweighing all other reasons were the related statements of 'Have known them a long time' and 'They are trustworthy' (Table 4.6). The significance of trust is discussed in the next section.

Table 4.6 Reasons for choice of sources of advice

Reasons for choice(s) of sources of advice*	Percentage citing the choice
Have known a long time	44
They are trustworthy	44
Recommended by a colleague in business	14
Recommended by business associate	9
Recommended by BEC or RDB	9
Recommended by FBA	6
Recommended by another business association	3
Recommended by another adviser	3
Recommended by a relative	3
Other reasons for choice	12

*multiple selections were invited

4.8 Trust

This section emphasises the significance of trust in the engagement of external advice. It is seen as the expectation rather than the guarantee that those to whom a relationship is afforded will behave well. Customarily a slow-maturing process, the gaining of trust can be abridged by reliance on the trust formed by a respected third party: vicarious trust. References and testimonials are common currency among family businesses and are the principal way advisers gain clients. The process does, however, require trust in the referrer. Clients so gained tend to stay. Maister et al (2000) describes the qualities required to retain a client; interviewees concur.

4.8.1 Definition

Chapter 2 draws attention to the literature in which trust is posited as a necessary component of a decision to engage an adviser both generally and in relation to family business issues. Therein, trust is defined as 'a psychological state comprising the intention to accept vulnerability based upon positive expectations or behaviour of another' (Rousseau et al. 1998, p.3). An interviewee, A18, concurring, spoke of trust earned in having expectations exceeded. In his own terms, 'people have given you a return behaviour that was not asked of them'.

4.8.2 Maturation

The bestowing of trust, according to a number of authorities, requires maturation, often lengthy (Bork et al. 1996; Steier 2001; Sundaramurthy 2008; Tanewski & Carey ND). Maister et al (2000, p.23) aver that 'trust results from accumulated experiences over time'. Moreover, it can be consolidated through 'repeat interactions' (Sundaramurthy 2008, p.93).

The significance of trust and its maturation are well attested to by the email questionnaire respondents. The overwhelming reasons for choice of advisers were, 'They are trustworthy', and 'We have known them a long time'. Both scored 61 mentions among the 140 total respondents, the next most frequently assigned reason, 'recommended by a colleague in business', scoring 19.

The interviews enriched these findings with observations such as, 'He knew my father' (C6); 'He was my cousin's best man at his wedding and he turned out to know more about my family than I did' (C42). However, even in the face-to-face society said to characterise Adelaide degrees of separation have not been abolished. Personal acquaintances would be a limited field from which to gain advice – on family business matters – of a highly special kind.

Almost all family businesses have an external accountant, many of whom are retained over a long period. They are therefore in a position to gain trust through 'accumulated experiences'. If the technical things are well done and the accountant is 'prepared to put the ledger in the cupboard' (A45) then he may be in a position to explore the 'deeper factors' of family relationships.

4.8.3 Instant acquisition

Some adviser relationships have been entered into immediately, spontaneously: the formal presentation being the occasion for this according to a number of interviewees, one of whom (C15) spoke at length about such an encounter at a TEC group.

> *And he … started painting a picture in front of us on a whiteboard… and I thought 'this is my problem' and this is what I have asked my accountant and my solicitor over the last five or eight years ... how do I get this all sorted, and I've had very limited response from them and as he described it just it was ... I could see that he had to have ... a fairly broad understanding over a number of years to be able to just see where all of those issues come from and what their origins are and ... where in fact the family may want the business to go.*

Again, for C4, the presentation, with some follow up by the presenter, was the occasion for a productive advisory relationship:

*I attended this improvement forum in Brisbane and this fellow called M*** W*****, who specialises in wealth succession visited our group and said, 'look if you got hit by a car today is your wife going to be looked after, your kids…?' and it was quite an interesting discussion he had with us and true to his salesman[ship] he followed us up… we're right in the middle of that process now, it's been terrific, really good. It's the first time other than using an accountant we've actually sought some advice from outside.*

An adviser (A38) confirmed the effectiveness of presentations:

I made those fifty talks in 18 months. The next two years after the practice doubled in size: purely because I went out and talked.

Another would-be adviser (to C1), 'immediately struck a chord with our family…just his personality, a great communicator, a fabulous personality…' An adviser (A28), while agreeing that trust was usually slow-maturing said, nevertheless, 'it can happen in half an hour'.

Dyer and Ross (2007, p.132) found there could be swift engagement of advisers who had 'compatible cultural values' . Interview participants attested to this, thus C42: 'EM have a good philanthropic base which we believe in as well…we want our accountants to think outside the square, to involve themselves in social networks'. C20 sought the same thing: 'honesty, integrity, all those. I need to know we're on the same page of values', with the difference he had not so far encountered any!

4.8.4 'Vicarious' trust

Far more frequent than the 'epiphany' as an introduction to an adviser, was the reference, the testimonial. The family businessperson's need for advice may not permit of 'slow maturation', nor the accident of whom their father knew or who was present at their wedding. The interview participants almost universally spoke of their substantial reliance upon references as providing the source of advisers. This does not invalidate the significance of trust in gaining the needed relationship; it abridges it. It relies upon the trust someone else has recognised and is prepared to communicate. I therefore term this form of trust 'vicarious' trust.

It is perhaps perplexing that the 'vicarious' trust upon which family businesspeople are so reliant and about which they speak so spontaneously appears to have received little attention in management and organisation literature. Aronoff & Ward (1994, p.39) devote one sentence to it in their handbook entitled *How to choose and use advisors*. Hilburt-Davis and Dyer (2003, p.33) list it (third) in a discussion of how a consultant may have been contacted by a client. Dawes et al (1992, p.190) rank choice criteria in disclosing how clients select management consultants: 'Satisfied client recommendation' appears eleventh out of a possible seventeen. Maister et al (2000, p.17) discuss at length the generation of trust: 'it has to be *earned* and *deserved*' (their

italics), but not how it might be *transmitted* to the client. Vicarious trust eludes the comprehensive survey by Rousseau et al (1998) of the academic treatment of trust. It is absent also from the work of those cited at the start of section 4.9.2, notably Sundaramurthy (2008, p.93), who emphasises the 'tremendous amount of time [needed] to build [trust] between strangers'.

Interview participants spoke otherwise as the following examples indicate.

Among family business, the medium is frequently oral.

> *Q.: How do you gain trust in the first place so people seek you out?*
> *A (A28): Well, you gain it by doing a good job for the first person that had the courage to employ you. And you get the rest from word of mouth. It's absolutely paramount.*

More cryptically, (A35): 'Word of mouth referral is 80% of the answer'.

Another (A30) said:

> *Of all the marketing strategies I've had over the years, there's only one that works and that's referrals from other businesses*

Yet another (A29), said

> *Most of the new relationships come from an existing one, a referral, so the mere fact that they come to you they are looking for something, they have a level of confidence in the person that has referred them to us.*

A chief executive (C5) responded:

> *How did we get onto Nick? I think it was asking around till I found someone who said, 'this man is a good man'.*

A client (C2), asked what constituted a good adviser, chose to answer in this way:

> *C It's a question of not what constitutes a good adviser but what constitutes something that will give a potential client the confidence to think that is a good adviser. This is provided by the testimonial: experience from other companies who have had similar problems and the person has managed to solve it for them. I think that speaks volumes and it's interesting within FBA you see certain advisers even interstate are mentioned time and time again, and they do travel among the states, so obviously they have an effect, but those same people are also reputed to be expensive.*
> *Q Is there an implication that perhaps there is less talent here than interstate?*
> *C No, I think it more attests to the power of testimonials.*

Advisers reported that a very high proportion of their clientele had been gained as a result of references. 'We get a massive proportion of our business from referrals'

(A18). Another: '(I) get the referral because of what I've done elsewhere, not because I'm on some accreditation list' (A37). Another adviser (not formally interviewed) pointed out that references could be to the benefit of the adviser by giving him confidence in the *client's* trustworthiness.

A few advisers went further: not only were referred clients numerous, they were inclined to be *bonded.* The principal of a small, suburban accountancy practice, A18, expressed it this way:

> *If we get referred by somebody, provided we do our normal stuff, we are unlikely to lose that client for a long time. People walk in off the street, it means they have walked away from someone else, what's the connexion? Not much. Might be convenient. They might be sick of the other guy or he might die, retire. They walk in here and not know us from a bar of soap. We can give them exactly the same service and they might think that's OK or maybe they don't like it, or whatever. Another opportunity comes and they are just as likely to walk out, because there's not that connexion with family or friends.*

Some client interview participants offered corroboration of this. One (C19) said:

> *So if someone's referred someone and you go in and meet them…you have a connexion with that person that then reinforces that trust and good feeling.*

The foregoing concerns trust verbally communicated. But trust can be generated powerfully by observation of the beneficial outcomes for a client that an adviser may have wrought. The more dramatic the changes the higher the expectations of the adviser (Leaptrott 2005, p.290). An adviser was selected by C13 through 'having seen what he has done over the years with the clients (our friends) he has worked for'.

While, as noted, the 'vicarious' phenomenon does not appear prominent in management literature, it conforms with some noted in social psychology. Thus Fisher et al in Gottlieb (1988) in discussing the power of a 'recommender' to prompt use of a source of advice, note that the more the recommender is liked by the seeker, the higher will be the seeker's expectations of favourable outcomes from its use. And the more dramatic and favourable the changes wrought in the recommender the higher the seeker's expectations will be of that source

There has, however, been little recognition of the power of referrals within the family business sector's machinery for qualifying and promoting the use of advisers. FBA urges adviser members to become 'accredited' and promotes a register of those who achieve it. While advisers must cite referees in order to apply to embark on accreditation courses, those that qualify do so on the strength of attendance at courses and conferences; they do not as a rule cite such referees in confirmation of their qualification, still less encourage contact between referee and would-be client.

4.8.5 The 'trust catalyst'

The family business literature identifies an individual who may be more open to the use of external advice than is the chief executive (LaChapelle & Barnes 1998; Kaye & Hamilton 2004). They may be experiencing pain from which their superior is immune - or causing. The study elicited only one example of the species, but sufficient to establish the validity of the description. While no examples came to light of trust catalysts 'turning' the impervious patriarch, C17 was successful in two instances of persuading her CEO stepfather to engage outside help when she judged the situation to be 'dire'. Her stepfather could not be termed impervious, rather that his previous experience of advisers had been very unproductive.

4.8.6 Maintaining trust

The foregoing refers to the acquisition by advisers and the initial bestowal by users of trust. Trust once gained has to be maintained and developed. In this regard the Trust Equation of Maister et al. (2000, p.69) is illuminating.

Box 4.2: The Trust Equation

$$T = \frac{C + R + I}{S}$$

where

T = Trustworthiness
C = Credibility
R = Reliability
I = Intimacy
S = Self-orientation

The interview participants generally attested to its validity, as instanced below.

4.8.7 Credibility

Credibility is assisted in the early stages of engagement by possession of credentials such as CA and CPA. Being a Chartered Accountant benefits from 'a public perception' (A31) of trustworthiness. FBA Accreditation was found to confer a 'credibility tick' (A26, A39), signifying its recipients were at the least conversant with family business issues. A client (C10) spoke of seeking a would-be adviser with a 'track record' (which he would gain from previous clients).

Thereafter an 'ability' trust needed to be demonstrated. A representative statement was:

> *the first time we had a planning type session within the first hour you knew he was doing it [performing] well…you know you've got a good facilitator (C1)*

Advisers demonstrated their ability early on: he could 'definitely' establish 'our aims and ambitions' in the succession process (C9). Or,

> *I could see that he had to have a broad understanding over a number of years to be able to just see where all of those issues come from…(C15).*

Advisers, too, recognise the primacy of appearing credible: the general manager of a large counselling service stated that 'trust is number one in our strategic plan…'and within that 'credibility comes first' (A34):

> *If a farmer discerns you don't have the skills or experience to deal with their problems they will wipe the floor with you.*

Trust can also be established by an accountant in his 'technical' work, ('we started with my wife's tax return', C42), building trust over time which entitles him to 'deal with the deeper (family business) factors' (A45), a stratagem commended by Kay and Hamilton (2004).

Clients (C5, C36), concurring, spoke of 'performance trust': an adviser had 'written all the issues down' and then 'we worked through them one at a time' and initial confidence was justified and 'so we feel comfortable with him'.

4.8.8 Reliability

An experienced adviser (A37) echoed Maister (2000) in emphasising that once he had secured the entrée, 'doing what you say you are going to do', and informing the client if a problem that may interfere with that performance as soon as it was foreseen. Clients concurred. C13's adviser was commended for 'making sure things happen'. C1 valued reliability sufficiently to enter into personal relationships with advisers in order to help secure it.

4.8.9 Intimacy and self-orientation

The former, positive, attribute and the latter, the divisor in Maister's equation can conveniently be considered together: they are opposites. Maister describes self-orientation as 'being more interested in oneself than in trying to be of service to the client' (p.80).

Intimacy is said by Maister (2000, p.77) to be 'relatively scarce' and its lack the most common failure in building trust. The interview participants' comments on their relationships as client or adviser touched on what Maister terms intimacy with singular frequency and intensity, evident not only in the words used but the force with which they were delivered. Intimacy is denoted by personal involvement by adviser in the concerns of client, and in the term used by a number of clients: having empathy. Showing 'personal involvement' on the part of a trusted adviser was contrasted with the 'arms-length' attitude of a successor (C1). 'He had grown to be like a friend' (C36). Maister describes intimacy as the 'least time dependent component' of trust (p.79). The interviewees looked for it early:

> *I'm trying to work out whether what I think is going to work and straight away they're gonna tell me what they think is going to work…but I need to get that empathy about where I'm coming from and what it is I'm looking for (C20).*

Advisers who were impressive in interview were inclined to use the intimacy (A18, A31, A33) and empathy (A29, A31) words in reference to their successes; showing that 'you are asking out of care and concern' (C37). They would not know

> *how it would work if you didn't share some commonality and understanding the fears that go with running a family business (A29).*

Lack of empathy, a resistance to intimacy, is frequently observed by clients as a disinclination to listen (Maister, Green & Galford 2000, pp.86-87):

> *Listening…is the stage in the process where the client comes to believe that the advisor understands him and her. The purpose of listening in building trust is to earn the right to engage in a mutual exploration of ideas.*

On where they found it lacking the CEO interview participants were eloquent:

- *I haven't found an adviser who didn't want to tell me what he wanted to tell me* (C20)
- *I was talking over here, he was walking over there* (C5)
- *very often I find if someone hasn't been walking in your shoes, they don't quite have the feel for what we're talking about* (C5)

- *I'd like to be engaged not preached at (C1)*

- *To me, the first role of an adviser is to sit and listen and gather information, The current advisers just don't do that. They tend to walk straight in and tell you what's wrong and how to run your business. (C1)*

- *He said sell the farm and live comfortably. But we've been here 140 years…They wanted to sell me leveraged investments…!* (C25).

By contrast, a good adviser was identified because, 'you felt you were being heard'; 'he was a good listener' (C14).

Advisers frequently concurred, for example:

- *You've got to talk about things that are relevant to [the client], and 80% of that comes down to using the right proportion, the ears versus the mouth* (A35).
- *Not putting your own personal position as the driving force for what they should be doing* (A31*).*
- *They [advisers] often give advice: it's premature, it's off-target, it sounds plausible, it doesn't work, it can't be implemented; simply because they haven't taken the time to come to grips with the real issue, or understand the person* (A52).

An experienced adviser (A29) spoke of the importance of self-awareness, a quality recognised and defined by Johnson et al (quoted by Strike 2012a, p.4) as the ability of advisers to understand and manage their own anxieties, beliefs, and limitations.

4.8.10 Attentiveness

Attentiveness is not separately cited by Maister, but it recurred as a thing admired by client interview participants (C1, C24) and advocated by advisers:

> *If we sense there may be a disconnect then I'd just give the client a call…most of my clients I would call once a month: maintaining a trust relationship (C29).*

During the Global Financial Crisis when clients were having a hard time C29 would ring and offer them time without charge to see if there were issues they were concerned about.

C9 engaged her external accountant first in order to put right the depredations of a dishonest bookkeeper. He now advises on compliance. He is working with her to 'get a website fixed...and he's making sure I am sticking to my schedule'. He has been active in the redefinition of her role, 'trying to tell me to run the business and stop doing the clients''. I asked whether the same adviser would be the person to offer advice on succession and to identify the aims and ambitions of the successor. Emphatically, yes, was the answer: this accountant was valued for his preparedness – and his ability – to identify with all his clients' issues and energetically assist in solving them.

4.8.11 Trust matters

In the foregoing the significance attached to trust in the relevant literature is amply endorsed by participants both survey and interview.

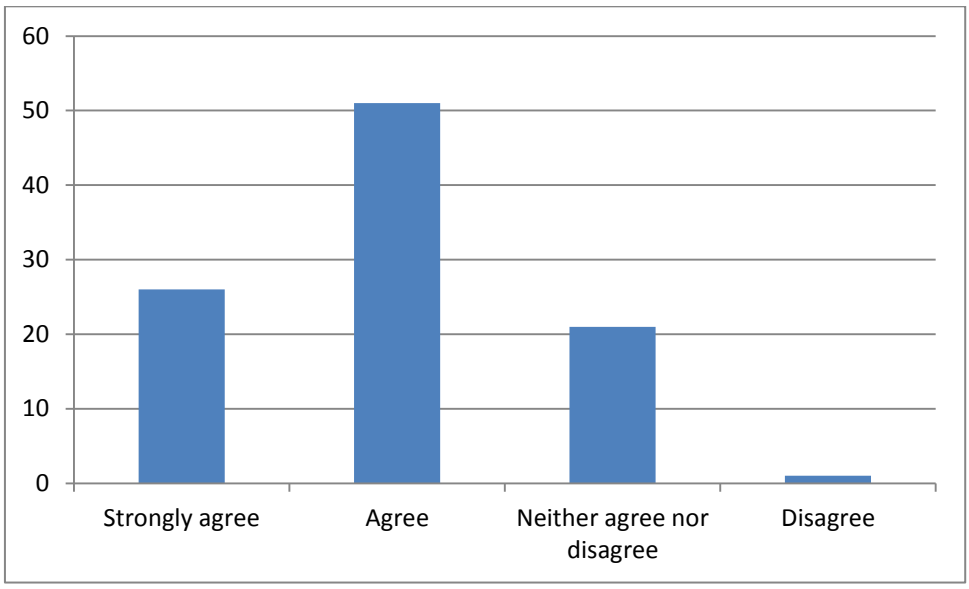
Maister treats the subject of trust in advisers most comprehensively. Interview participants supply verification of each of the terms of his Equation. They imply the most powerful term to be intimacy, although with one exception interviewees did not use the word. Rather, 'empathy' arose time and again; also on occasion, 'ability to listen, 'warmth, 'consideration' and 'kindness'. 'Intimacy' implies reciprocity whereas the sense of what was said denotes a reaching out initiated and sustained by the adviser.

The matter of vicarious trust is highly significant – and is discussed further in Chapter 5.

4.9 Outcomes of advice sought and taken

Previous studies, predominantly anecdotal rather than systematic, indicate that family businesses benefit from external advice (Section 2.5.6). Recipients of the survey questionnaire who had received external advice were invited to state on a Likert scale whether they believed it had been valuable. Over three quarters agreed or strongly agreed that it had been (Figure 4.6). The larger the business, by turnover, the more the advice was valued: 73% of businesses having turnover less than $5m agreed or strongly agreed that it was valuable; with 87% and 90% agreeing similarly in businesses of $5m to $10m, and over $10m respectively.

Figure 4.6: Value of advice received: 'The advice received was valuable', percentages



Respondents were then asked if they had adopted the advice. The answer was positive (Table 4.7). All but two respondents adopted the advice totally or in part. Fewer respondents answered this question, giving the data limited value. Inspection

of the data on size of company and 'adoption' showed no relationship justifying statistical tests; nor did those between value perceived and the providers of advice.

Table 4.7 Adoption of valued advice

The advice received was adopted	Percent
Totally	27
In part	70
Not at all	3

Respondents were asked, to the extent they did not adopt the advice, what were the reasons. 'Freestyle' answers were varied within a fairly small population. Those that did recur were 'not (completely) relevant' (nine counts), '(wrong) timing'; (six) and 'cost' (four). Among individual responses were a number that added human insight and sometimes piquancy to the analysis:

- *Time spent by external people did not fully cover the range of issues*
- *We did but then advice turned out to be wrong advice*
- *Didn't fully understand the advice and forgot what they said*
- *Because they do not understand the practical nature of our business*
- *Advice included more than one option*
- *Other Director (wife) not able to take on board all the advice received. First time for her as an owner / operator of a business*
- *I seek other opinions so that I have a broad look at issues. It doesn't mean I agree with their opinions all the time*
- *Change is not always easy within a business especially where key power heads were employed by the now retired owners and cannot be side stepped as they have the approval of the retired owners*

and especially:

- *One of the incumbent co-directors will not seek advice. They (sic) believe it is no-one's business but their own and that they know best. They are happy for the successors to pick*

up the pieces after they die. Successors know this lack of direction will make for painful/costly succession.

In interviews family business people cited twice as many favourable outcomes as unfavourable outcomes of advice and its use. C5's account appears in Box 4.1 above. C 19 attributed the rapid growth of her company - from a beginning with slender assets and no previous experience in her chosen field of activity - to her 'team' of outside advisers, some like the BEC unpaid. C1 accomplished his 'copybook' succession with an assurance that would not have been possible without his adviser's guidance. His daughter and successor (C14) spoke in these terms:

He really just had this ability to relate with everyone no matter what their age, what their skill and kind of understood and ensured that no-one was missed out or pushed to the side. And it's amazing how you can all come to the right decision, the same decision, and all agree when you've got that process right.

A presentation by C15's adviser prompted the response, 'Yes, this is my problem', one that he had asked his accountant and solicitor without success to 'sort out over the last five years'. C24's new accountant had helped transform the company where his previous accountants had become 'complacent...and just processing end of year financial stuff'.

Requested to generalise, clients resorted again and again to abstract nouns: personality, patience, persistence, enduring relationship, ability to listen, in distilling the nature of the advisers' contribution to successful outcomes. One (C42) also cited with approval his adviser's 'philanthropic values' which were similar to those of his own business. None explicitly mentioned technical proficiency; none instanced a grasp of the Inheritance (Family Provisions) Act 1972, and the like, though no doubt this knowledge lay behind the capacities that the clients acknowledged.

The advisers, too, were asked about tangible outcomes achieved. A32 spoke of a family business he had been advising as chairman of their advisory board for six years. The management succession had been accomplished, the 'life stages of the estate succession' has been facilitated and 'we are working on forming a family council so that we can start working on the next stage of family succession'. A37 spoke of a particularly successful transition where the older generation

moved away from the formal part of the business...but they still have a connexion...they sit on quarterly advisory meetings and get a copy of the financials and business update every month...

A29 recounted how a father in poor health sought help with transition to assumed successors. However, the adviser 'got the strong sense' that the children were not interested. 'So we needed to work through that together'. The succession strategy

was over time converted to an exit strategy yielding assets that allowed the children, all of mature age, to develop their own independent careers. The patriarch was helped to modify his view of things:

> *When he came to analyse it that he just presumed that's what people want, because they would want to benefit from what he had created and now he realises they can benefit anyway but in a different way.*

Box 4.3 reproduces in detail a story as recounted by adviser A33, an accountant, as illustrating deployment of the abstract nouns cited – and two or three more: perseverance, tact, insight.

The cases described by A29 and A33 can be seen as a matched pair – with contrasting outcomes. The insights and efforts of A33 led to an acceptance by the father of his son's wish to succeed him – and with the help of A33 that wish was vindicated. A29's story was that of a father keen to pass on the product of his success to his children, whom, A29 discerned, were not enthusiastic about embracing it. The outcome was the creation of a strategy to exit the business the proceeds from which enabled the children to pursue their own preferred careers. This illustrates the dominance of context – and the adviser's discernment of it – over precept: effecting successful succession. It adds support to the warnings about best practice as delivered by A50 and related in Box 4.6 below.

Box 4.3 A patient – and persistent – adviser (A33)

A: One example comes to mind. A manufacturing business. The dad had started it with another guy who has long since gone in the late '40s. They had been client since the late '60s and initially the son didn't want to be involved in the business. Dad was a bit of tyrant, very strong willed. The son didn't want to be involved... We were dealing with tax returns and the son said to me, 'What you reckon will happen to the business; Dad would like to sell it soon? And I said, 'Yes, that's what will happen because you don't want to be involved in it'. He was the only son and the daughter was a school teacher and wasn't even interested. And he came to me one day and said, 'I think I'd like to have a go'. And of course when we talked to Dad about it, Dad said, 'He doesn't know anything. He's just a bloody librarian. What would he know?' And so we went through a process where I said, 'Why don't you put him in the business and train him and see if it works?'. And what I could see was that Dad was actually holding the business back, because he was doing it 1940s style. The son because he had been in the outside world, not just in manufacturing, he could see the advantages of being a bit innovative, etc and whilst Dad was there it was never going to happen. But the business had substantial potential, we thought. Eventually, it got to a stage where the son said either Dad lets me take control or I'm out of it. So I spoke to Dad and he said, 'He can leave. I'm only 72 and I've got many more years left for me in the business'. Reckon I had to work on him for six months before I convinced him to let the son take over. Now the business is …that was probably ten years ago … the business has probably grown four times as the son was the innovator; Dad was one of the resistors of advice, etc , because he knew it all. And now the son and even the father talk to us and say it was a good move because Dad likes to see the business succeed, and just didn't think the son could do it. And the son raises it, not regularly, and says, 'I'm glad you talked the old man into letting me come in…'

Q: How <u>did</u> you talk the old man into that?

A: It was certainly not by being aggressive. It was, 'Bob, you can sell this business…' and the other thing that had happened as well was Bob's wife died so he was single and that was one of the reasons he wanted to stay in the business because he really didn't know what he was going to do. And I knew he liked his golf. After the son had been involved in the business…'You've got mates that play golf on Wednesdays, why don't you? 'Oh, I couldn't do that'. 'Why don't you give it a go? Try once a month?' So what happened over a period of twelve or eighteen months, he found some interests outside of the business, and also he observed that when he wasn't there the business still did actually keep going. And so you had to gradually talk him… let him see that the son actually could run the business, and of course I talked to the son quite regularly and said, 'Stop being impatient. This is a slow process, you know how your Dad is'. Once you've got their trust you can say, 'Dad's a bloody stubborn person, so we've got to work on him'. … It was a bit of psychology, I suppose.

Advisers, too, were willing to talk about where they or the assignment had fallen short.

A38 encountered such hostility between brothers in a family firm ('I just sat back and watched them screaming at each other') that he felt out of his depth and was obliged to refer the case to a rural counsellor. He found it, 'just too hard, but I learned from it'.

Some assignments involved farmers where it may be believed that no solution was possible. They arose from intractable economic circumstances, for example where an heir has attempted to succeed to a business which is not viable:

> *You get 2% or 3% return on rural land and that's pretty good. You're paying 6% or 9% interest rate... The son had taken over but then sold the farm, which really destroyed the family. It's been in the family a hundred years and now young Freddy's come along and sold it. So you don't always get it right' (A33).*

A29 recounted similar instances where money had been sunk into farms which failed and 'people didn't get the outcomes they were looking for'.

Another adviser, A32, spoke of a failure of a kind 'you don't recognise till afterwards'. It offered an unusual perspective on the 'expert-process' divide discussed below in Section 4.10.3. The client had been asking for more 'technical stuff' and was not willing to go through the 'process stuff which I am quite fond of'. He said, 'Just give me the answer; I haven't so much time!'

To generalise (and notwithstanding this last remark): advice received was valuable and usually adopted, at least in part. Asked why they valued it, family businesspeople interviewed resorted again and again to describing the personal qualities that commended the advisers and hence the advice they offered. They recounted instances of their deployment. They did not spontaneously refer to the advisers' technical competence: that was a given. Advisers', in particular accountants', training appears to cater for this well. Chapter 5 discusses the case for training in the consultancy skills – listening skills, negotiating and mediation skills, ie, the 'art' of consulting – and its present adequacy, as distinct from training in the relevant professional knowledge.

Advisers described successes in achieving tangible outcomes, citing the same skills described by the clients as enabling the successes. They spoke of failures, too, but mainly in the context of unmanageable external factors, like the economics of small farming.

4.10 Family business advisers

This section explores the accessibility, the nature and the quality of professional advice to family businesses and relates to the second of the thesis's questions listed in section 1.4.

4.10.1 The special place of accountants

This section refers to the predominance of those in family business advising with accountancy qualifications. Accountants are engaged to advise on compliance, on management matters or to give general business advice. Some then advise on family business issues, inclination and capability being highly variable. Accountants are the advisers most used by family businesses (Table 4.5). My survey corroborates figures from other sources shown in Tables 2.1 and 2.2 of Chapter 2.

Interview participants spoke of accountants belonging to 'a trusted profession'. Note, however, the following exchange with a representative of one of the accountancy institutes – the vicarious element is pervasive:

> *A49: The first thing is that when people go to an adviser there is an expectation that trust will exist in the first instance.*
>
> *Me: By virtue of their professional standing?*
>
> *A49: Yes. And they have probably been recommended by somebody else. You go in with the assumption there is going to be trust.*

It can be argued that most careers in family business advising begin with an accountancy qualification and then with their recognition that most clients are from family businesses. This was the case with six advisers interviewed. A33 describes a typical process this way:

> *When I first started working with KPMG most of our clients were family businesses; [later] I moved to a smaller accounting firm where I could actually deal with family private businesses. That was in the mid '70s and I have been dealing with them ever since.*

Accountants' initial assignments for family businesses may be in relation to compliance matters. Of the accountants engaged on family business issues by chief executives who responded to the survey, 76% had previously been engaged on compliance work, while 51% had been employed on 'management matters' and 88% on 'general business advice'.

Accountants are generally the first port of call when family businesses seek external advice. The relationship is continuing, enduring and often expanding. This has become more so since the introduction of GST. No longer could the business take its shoebox of receipts to the accountant once a year. As a CPA representative said, 'they had to take stock of how their business was going four times a year. It required an expansion of the service required of an accountant'. A CEO (C36) concurred:

> *We have largely worked with... our accountant on the financial planning and the business and family succession. Some people have two different people they use for that…We've been working through this succession thing ever since we started with David. Rather than just going to Adelaide once a year and doing our books...we thought we need someone who can help us with the business a bit more often than once a year, so I see David every three months.*

As to long association, typically, C4 relates:

> *We have had an accountant for many, many years... he and X are the only two people that really understand the complex family business that it is.*

How do accountants perform as observed by CEOs? An early interviewee (C1) set the scene:

> *And I think they are exactly the same as how I would classify advisers – it depends on their personality, their communication ability, all these sorts of things.*

Further interviews went on to fill out the spectrum. CEOs commented on their accountants' capacity to move from technical accounting and demonstrate the nuanced skills in advising on family business issues. For some, the accountant had been a support in relation to the gamut of family business issues:

> *He's got some fresh ideas [in relation to family business issues] whereas the other [previous] one just wouldn't have been up to it* (C24).

For another client, C24, the accountant had been a mediator between the CEO and his father: 'That's why I've got them in place'. The accountant of another CEO (C36) had observed discord in a business successor's marriage (before even the incumbent had!) and advised restricting the daughter-in-law's financial involvement. One accountant interview participant (A33) identified the facility he offered this way:

> *I've walked out of here and gone to my wife and said, I don't think I'm an accountant, I'm a counsellor. Because you've got to tread lightly…I guess it requires an understanding which you can only learn over the years, understanding of people's nature and not try and inflame situations.*

Interview participants' good reports were amply reinforced by my own observation in interviews with a number of accountants: attributes that come to mind include experience, maturity, empathy as well as the profession of high ethical standards.

Some clients while acknowledging their accountants' strengths saw limits in the areas where these strengths could be demonstrated. For example:

Q: What would you say to the proposition that a family business need look no further than their accountant...?
C1: No, absolutely not, no. On business matters they are terrific...but if there's a conflict between siblings they're not the sort of people that are going to help...(C37)

Or again:

Q: Would you feel they were equipped to advise on things like succession?
C21: I don't think so...because we tried our accountant and they just faffed about with it and were probably learning themselves...that's why we got F in (C21).

Another, C25, who had the same accountant for about ten to fifteen years, stated he would not be the person, say, to mediate views between him and his sons, nor again to advise on 'what to do with my money: he says, "that's not my job, you should get a financial consultant"'.

Another client (C7) was forthright: in response to a question about his accountant's functions:

Compliance and telling me how many widgets are in each basket…and apart from that I have very little regard for their views.

Moreover, accountants were not immune from a failure to listen to and understand their (would-be) clients' needs of the kind that is recorded in Section 4.8.3 above and discussed in Section 4.10.4 on advisers' training.

Some accountants recognised their limitations:

Nat would be the first to say, 'that's beyond my area'…he's just a straight tax accountant (C17).

An accountant himself (A37) acknowledged:

Human relationships can go to the point where you say, 'I can't put all the soft skills to this ...we need someone with a fresh set of ears...more from a human counselling angle'

Another, A18, was alert to the 'soft' issues, and would say that was something the client needed to address, but it 'wasn't our role'.

Others did not recognise the soft issues:

Many accounting firms have set themselves up as family business advisers and don't see the difference between business adviser and family business adviser (C14).

Or:

Q: Some [accountants] do aspire to be family business advisers?
C15: Yes, yeah, well I haven't met one. And certainly mine's not.

Some accountants found that clients had an unduly restricted view of the services they could perform. It was necessary to offer seminars to counter a belief that 'you only do tax returns' (A31). Another's response was: 'I don't introduce myself as an accountant, I say I guide entrepreneurial success in businesses' (A46).

When accountants do arrive at the limits of their expertise (assuming they are aware of them), do they 'refer on'? This is a crucial issue for those in need of advice, and not to do so if lacking the skills amounts to 'malpractice' (Hilburt-Davis & Gibb Dyer 2003, p.97). Two types may be distinguished: the resource and the gatekeeper.

All the interviewed clients questioned on the issue saw their accountant as a resource, or potentially so. That is to say, they believed they would be willing to advise the client to take more specialist advice when needed, often identifying a suitable source. C1 put it this way:

He was the sort of guy to say, what is the problem? Now let's talk about it and at the end of it let's find a solution. I may not be able to give it to you, but if I can't let's find someone who can. That's what I liked. He didn't try and force himself or his knowledge on you, and if he didn't know he'd say we need to bring in XYZ.

Accountants interviewed with one exception expressed willingness to advise their clients that they needed more specialist advice when they believed that to be so. They felt it their duty to do so. A31 described himself as a facilitator, obliged to ensure that whatever advice the clients needed he made sure that they were put in touch with the person best able to provide it. Asked whether his clients were knowledgeable about sources of advice A33 said:

Generally I'd say, no. That's why I think our role is very important because we need to be the resource, We don't need to be the people to provide all the info, but we need to know what these other things are.

A38 said he would be the first person to 'ring up somebody who I think knows something better about it than I do'. To A35 it was a 'collaborative game' and 'doing it alone is not to know what you are doing'. They might enlist legal specialists or a tax counsel or someone adept at human counselling, 'a psychologist or a relationship counsellor' (A37).

A18 described himself as a financial and business adviser and tax agent. He is happy to refer-on:

We leave the other people to their discipline and we don't get involved or take any kickbacks. We don't need a kickback. Our reward is the knowledge that we have provided somebody with a contact that may be able to help them.

However, the wide bounds of some accountants' expertise (and maturity) have to be acknowledged. Box 4.4 provides an example:

The exceptional accountant who did not refer-on (A41) had done so in the past but with negative outcomes according to his clients. He had now come to believe that the soft issues were not amenable to or appropriate for external advice.

Box 4.4 A resourceful accountant (A33)

Q. And what about the situation where the FB may not clearly understand the nature of the problem, particularly when they've got family issues mixed, some of those emotional issues, mixed up with business issues and can't tease them apart. Do you see that much?

A You can sort of go to one side and say, 'yeah, you've got a good idea there, but surely you should think about what the other ones are saying and vice versa'. Doesn't always work…psychologist you talked about might be needed in those circumstances. But you do have conflicts

Q. And in terms of helping clients sort out what's a family issue and what is purely a business issue, is this something you get involved in?

A. Yeah. Because family businesses tend to have a lot of both. Quite often you can't divorce one from the other. The reason the sales team are not operating so well is because the family member who is in charge if it is having a big blue with his father. And he's being difficult with the people he's working for. So I might recommend they go on a course to help with relationships with staff...

An opposing view, seeing accountants as gatekeepers rather than a resource was voiced by some but not all non-accountant advisers, sometimes with force: accountants were reluctant to refer-on, especially if their workload was limited, 'I'll get my bit in first. Or my fee first' (A28). Depending on the question they could, however, be less protective: 'If it's what sort of broccoli should I grow' (A28). Another non-accountant viewed the accountancy field as contracting, compliance work now being done offshore, prompting accountants to 'hold on to what they've got' (A30). In doing so, they might 'strain at areas beyond their expertise' (A32). A non-practising accountant (A39) saw the large firms as highly protective, 'even between divisions they do not refer-on; and middle practices are tending the same

way'. A52, similarly, saw them as 'territorial': 'they don't cross-refer even within their own firms'.

One family business participant (C17) regarded her accountant as a 'gatekeeper of sorts, and he has been negative about certain changes and restructures I have suggested in the past'.

There would be a greater propensity by accountants to refer on the more remote the skills of the specialist from those professed by accountants For example, referring on to a human relations specialist posed no problems and one such (A26) spoke of maintaining ongoing relationships with accountancy practices.

If accountants more generally attained the soft or human skills necessary to assist with family business issues the need for referring-on would be reduced. Accountant A46 believed that the accountancy institutions should play a bigger part in bringing this about. In this regard an office holder in CPA (A49) was encouraging. He drew attention to the size of CPA Australia's membership, approaching 100,000, its considerable publishing output, its substantial research capability and its willingness to adopt or sponsor further research: this could include study of the needs of its members' human skills, particularly in relation to family businesses.

4.10.2 Other professionals

No other professionals appear to be as frequently or as continuously consulted as accountants. Table 4.5 shows solicitors ranked as second most consulted. Interviews revealed that solicitors were engaged not as the first port of call but more in an ad hoc or ancillary role when the client or his accountant deemed specialist advice was needed. 'I've had legal assistance rendered when necessary but they've not been part of the actual, physical meeting process' (A37). The closest to having an ongoing relationship was indicated by C25 whose solicitor performed a monitory role: 'I say lots of things, and she tells me very quietly not to do them'.

Questions of solicitors' field of expertise aside, the opportunities they provide for advising on family business issues may be limited by professional norms which restricts their acting other than for a single client. A prospective successor (C17) suspects that the solicitor would take the incumbent's 'side', whereas regarding a *business* as the client is often a precondition to the attainment of optimal solutions for the family and/or business as a whole (Jaffe 2010). As adviser A51 put it, 'the business is the client, not the individual whose name is on the invoice'. These norms, however, appear to be weakening with the growth of conciliation in the law and following the lead set in USA and in Europe where collaborative practice originating in family law is growing. A further limitation may be the lawyer's concern with process at the expense of outcomes, in the view of one (non-practising) lawyer (A39).

'Family business advisers' feature next in Table 4.5, but this is an ambiguous title: interviews elicited it could be applied to accountants – or to wealth advisers. In the three instances where CEOs termed them their principal adviser, their performance was highly praised.

Use of management consultants on 'family business issues' was also described favourably in the interviews.

Psychologists were not spontaneously cited in interviews as sources of advice, but one adviser (A39) had referred-on to psychologists. He found their human skills useful at the outset but claimed they tended to 'adopt' the principal subject as patient and then run away from advising on business matters or participating usefully in a holistic advisory process. Other advisers acknowledged psychologists' potential relevance when prompted: 'I hadn't thought about it but you have given me an interesting idea' (A33). There would doubtless be inhibitions among some advice-seekers in recognising their need for a psychologist, while the accountant, say, who recommended such a resort could place his client relationship in some jeopardy. A solution for one psychologist-adviser (A52) was to describe himself as a coach. The same adviser noted greater acceptability if it was said the relationship needed help rather than the person. It is noteworthy that for a number of international FFI members 'family business psychologist' is a tenable title. How this has become so is outside the scope of this research. Kaslow (2006, p.410), however, notes that outside America and possibly Canada mental health professionals 'are not known as providing consultation within the world of business'. Two advisers (A45, A52) adverted to cultural differences arising from America's greater dilution of Anglo-Saxon stock.

Business Enterprise Centres or Regional Development Boards feature at the bottom of Table 4.5. It is worthy of remark, however, that one CEO interviewed (C19) largely attributed the success of her early-growth family business to the free advice provided by her local BEC manager and by other advisers she had referred her to. A second CEO praised them, particularly for locating further advisers.

4.10.3 Process and expert advice

The important distinction between process and expert advising was made cogently by Bork et al (1996). A similar distinction between content advice and process is drawn out in the FFI material referred to in the next Section. They are referred to in more detail in Section 2.5 of the Literature Review. In short, Bork et al (1996, p.10) say of the expert adviser, 'they are paid to have answers'. The client and the adviser assume there is a right answer and that once it is located the client will accept and implement it. The process consultant on the other hand assumes that solutions lie

within the power of the client to uncover with the skilled adviser's help. Grubman and Jaffe (2010, p.16) note that

> *Clients often report immediately seeing difference between firms that pull out the pitch book to talk only about what they have to offer, compared to firms who first sit down to learn about the family…history…and goals for the future.*

Advisers were asked at interview about the distinction and about where their own disciplines lay. Most said they were predominantly process advisers, three venturing the proportion of their work so described, for example, 80% (A31). One (A46) said it entailed questioning techniques to understand what the real issues were and then talk about processes to help clients identify answers for themselves. A non-accountant adviser commended those accountants who were able to 'put the ledger in the cupboard and talk about human relations' (A45). Clients interviewed appreciated the distinction between expert and process, particularly praising the practices of advisers who, for example, had had the capacity to 'sit and listen' and help family members to identify problems and find solutions. One identified associated qualities in the adviser of 'personality, an ability to relate and communicate, and possibly have own family experience' (C1). Clients were critical of advisers unable to take a next step from the technical to the process.

Nevertheless, like Bork et al (1996), both advisers and clients recognised the legitimacy also of expert advice. Advisers would not expect to draw from their clients the niceties of tax and revenue law or of estate planning conventions. Nor was there a one-way progression: A32 would expect to locate technical issues while engaged in process advising and sometimes refer the client on to an appropriate 'technician'. Asked when each was appropriate A32 said,

> *It depends on the client. A lot of this is situational. Sometimes they respond really well to process facilitation, asking key questions and getting responses and coming back with more questions. Where others are, 'No, just tell me what I need to know'.*

Clients interviewed were deeply critical of advisers with ready-made solutions to problems they had not taken the trouble to understand.

> *He wanted me (a farmer) to sell the land and buy leveraged investments; but we've been here for 140 years! (C25)*

Or:

> *We approached S to facilitate our two day planning session. It was a disaster, an absolute disaster. After about two hours we just had to say, 'look we're sorry you'll have to sit in the corner and we'll run this ourselves', because instead of facilitating and trying to*

follow our guidelines, what are your thoughts, S started to tell us how to run our business! (C1).

Process advising, however, is inherently costly in time and potentially in fees, though some advisers had ways of mitigating the cost. They might be prepared to waive fees while they gathered information, for example through initial interviews of family members. Another highly experienced adviser (A32) had evolved:

lots of little models and processes that we use to try and encourage or streamline that process. So we've got a number of frameworks that we work to provide structure so it's not just laissez faire.

In this he is unconsciously embodying Schön (1991) who credits the 'reflective practitioner' with developing a repertoire of 'exemplary themes' on which to draw for subsequent cases. Yet another adviser (A45) concentrated on 'upskilling' competent family members with good moderation skills' to undertake much of the work and able to replace, in part, the external adviser.

One interviewed adviser alone, an accountant and office holder with the Institute of Chartered Accountants (A41), demoted the significance of process advice. The presence of conflict in families was much exaggerated: 'a big body of vested interest drumming up the conflict thing'. While issues of succession were mainly amenable to technical advice:

Human nature is such that people don't want to off and get advice about these family business issues the same way they don't want advice about how to run their families.

He had in fact referred client to specialist advisers, with negative feedback:

We didn't want them to come and psychoanalyse our whole family and talk about the fight I had with my sister in the garden when I was five... I just wanted them to sort out the transition from mum and dad to me and my sister. I got them involved because I could see mum and dad stalling on the handover, and son and daughter getting grumpy.

This client conformed to a kind identified by Dyer and Ross (2007, p.134) who 'demand results in terms of the immediate problem'.

A41 showed a consistency of thought in comparing the proportion of accountants engaged, 81%, with that of 'family business advisers', 'less than one percent': the market was reflecting relative need.

4.10.4 Advisers' skills formation

Apparent variability in skills or potential skills was demonstrated to me when I jointly ran a workshop in 2002 entitled, 'So you want to be a family business adviser'.

It would have been difficult to claim that some aspirants had an aptitude for the calling, while some others by reason of their wish to lecture prospective clients or to deliver previously formulated solutions pronto seemed deeply unsuited.

Interview participants were keen to debate how far the capacity for advising in the human, emotional issues that challenge family businesses was innate. One adviser (A47, not an accountant) saw a polarisation between the 'hard-wired bean counter' and those with the 'softer skills, the emotional intelligence'. But informants largely resisted dogmatic answers. Belief that it is teachable has strong academic support (Goleman 1997, and his followers). Grubman and Jaffe (2010, p.27) ask whether personality or practice and learning are the determinant of suitability. They answer, 'both':

> *Some people clearly have a natural capacity for interpersonal relationships, yet we believe strongly that these skills can be developed by those that have less natural skill but are motivated.*

A number of interview participants believed there needed to be a strong wish to enter the field, bolstered by relevant emotional and intellectual endowments. Empathy and maturity were words commonly offered - also kindness, by one persuasive interlocutor.

This was the context in which FBA resolved in 2007 to provide formal training for family business advisers. To do so they enlisted the help of the Family Firm Institute (FFI), an international body for family business professionals, which had run programs since 2001. Initially FFI personnel ran FFI courses in Australia. They were The Launching Pad®, a one-day seminar for those new to interdisciplinary family business advising; and The Essentials®, a two-day seminar which aimed to convey insights from the law, finance, management science and behavioural science and their integration to address family business issues. Subsequently FBA ran the courses employing local expertise.

Interviewees recognised their value for those 'who have gone through the technical studies and now need to refine their soft skills' (non-accredited accountant A29) and in 'helping to break the mould of a technocrat thinker' (accredited adviser A35). One graduate (A51) praised in particular the introduction to family systems theory offered (as expounded by Hilbert-Davis and Gibb Dyer (2003)) on which substantial parts of the seminars are based. Another, A39, had recognised the quality of the material. He recognised, too, the knowledge of the presenters and its relevance, but was highly critical of the inadequate time they had had to impart it and for it to be absorbed.

Some advisers, both accredited and not, were more critical, dismissing it as a marketing tool (A37); 'scratching the surface' (A46); a way for accountants 'who want

to signify that they are conversant with family business issues and gain a 'credibility tick'' (A26); 'probably a waste of $20,000' (A23). A view reflecting a common response was:

> *You've had the referral because of what you've done elsewhere, not because I'm on some accreditation list'* (A37).

Clients, by and large, were critical of those who had graduated:

> *Well I have had the opportunity to spend time in the company of most of those [accredited] advisers and there's been not one of them has impressed me. Simple as that…Accreditation cannot filter for personality (C1, active in FBA).*

> *I think you either have the sense of initiative and the general business acumen. It [accreditation] can sharpen it but it doesn't turn someone who doesn't have that into someone who does have that (C2).*

C1 saw the accreditation process as 'making the best out of whatever material is at hand' rather than filtering for needed personal qualities.

Criticism may arise from unrealistic expectations of what can be achieved in courses totalling three days' duration and the (mandatory) attendance at FBA conferences and seminars. FFI have recognised this limitation and require applicants additionally to complete a detailed 'self-assessment tool'; to select a mentor to advise on self-assessment and on desirable courses to attend; to enter into a two-year 'learning contract' with the mentor; and to obtain certification from the mentor that the contract has been satisfactorily discharged.

CPA Australia and the Institute of Chartered Accountants (ICAA) in Australia provide the **knowledge training** required by their members. They do so in a way that has drawn no criticism whatever from those interviewed, both family businesspeople and advisers: quite the contrary. CPA offers their Public Practice Program: it instructs candidates in 'the role and responsibilities of a public practitioner in the enhancement of both quality and efficiency of services they provide' (CPA, 2010). It assumes technical skills and experience have been gained in tertiary education. With the ICAA, CPA also requires higher education programs which seek their accreditation to address 'generic skills' including the interpersonal such as 'the ability to listen effectively' and that they be incorporated in courses' 'core curriculum' (ICAA & CPA 2009, p.12). The institutions and their members recognise that interpersonal attributes, including 'demonstrating empathy', are 'highly desired' and need to be 'reinforced and developed during accounting education' (Jones & Abraham 2009, pp.49-50). The same authors demonstrate the congruence of the needed skills with emotional intelligence (EI). The need is the greater in that

accountancy students are shown to have lower EI skills than students in, say, liberal arts programs (Jones & Abraham 2009; Cook et al. 2011).

It is far from certain that the required response has been forthcoming. 'The number of technical topics and the depth with which they must be covered' is increasing (Kermis & Kermis 2010, p.5), pre-empting attention to the human skills. Specifically, Grubman and Jaffe (2010) find that in American universities there is no curriculum available on client relationship skills. No corresponding analysis in regard to Australia has been located. However, participant A49, expressing an authoritative Australian CPA view, stated that no such courses were available in Australia. An inspection of the content of courses listed by the Australian Education Network (2012) appeared to confirm this.

Significantly, those with more work experience, particularly of the type that required customer contact, scored higher in EI tests (Jones & Abraham 2009). This suggests that it may be even more productive for aspiring accountants to undergo training focused on customer contact in the *art* of consulting while engaged in professional development, for example, in the CPA public practice study programs (and the ICAA counterpart) than at university where this may be less opportunities for such contact. However, the human skills necessary to engage with clients is not presently addressed in the CPA's formal programs. While a section of the programs is devoted to good employment practices and the human skills needed to lead and manage staff, it does not explicitly cover the **human skills training** relevant for advisers to business and to family business in particular. It may, however, be inculcated in the course of the mentoring with senior practitioners that qualifying members are required to undergo. Commenting on this, Dr Albert Jan Thomassen, executive director of FBNed, the Dutch association of family firms (and my supervisor), said continuing training for more senior accountants in Holland would comprise 80% professional knowledge, 15% practice management and administrative matters, and only 5% training in advising skills.

In my research these advising skills seemed to have been gained fortuitously by having a good mentor, but no participant professed their own soft skills having been developed in formal education. This exemplifies the assertion of Grubman and Jaffe (2010, p.28) that 'no curriculum has been formally established …for education in client-relationship and family-dynamic skills'. This matter is explored further in the Chapter 5, Section 5.6.

Interview findings compel the belief that accountants, the adviser by far the most employed, can attain the summits of performance in family business advising – to a degree not always appreciated by their clientele or the wider community. A non-accountant adviser (A52), the last to be interviewed concurred, saying such accountants

Have technical expertise, which they don't flaunt out to say how good they are. But they have huge EI and interpersonal and listening skills which means they wait, they sit, they listen and then they earn the right to give their professional expertise. And people will love them. And they are the full book! Other people go, "He's lucky; how does she do that?" And what they don't get, they just don't get, is the interpersonal stuff that's absolutely critical.

In this he complemented the words of my first interview participant, an accountant A46:

Many [accountants] have not been trained in the soft issues; they are purely there to give answers and as a result they don't listen too well and are very quick to give an answer because that's what they're trained to do.

He went on:

And perhaps one of the issues may be whether you can work with the Institute and those bodies to see if they can bring into their training programs more of the soft issues in dealing with their clients.

Since the providing of technical (expert) advice and of process advice, calling upon the human skills, is usually intertwined, it is fitting that the technical skills deployed are those broadly apt in tackling family business issues. The accountant is the family business's constant guide in distinction from other professions called in as needed (and commonly on the accountant's advice).

Acceptance of this should prompt the accountancy professional bodies to reconsider how they serve their memberships in preparing and sustaining them for duty with the world's most prevalent form of business.

Two of the adviser interviewees were members of the Institute of Management Consultants. The tools for skill formation were continually being forged. Members were required to undertake professional development a feature of which was the submission of their experiences for inclusion in the Institute's body of knowledge. Submissions were considered by a panel consisting of senior members, clients and academics in the relevant field. The rationale for this process was the belief that practitioners were constant creators of knowledge (see subsection 5.7 below), and as one said, 'Whatever we are using today will be in the textbooks in eight years' time' (A47). To become a member of the Institute required familiarity with the body of knowledge – as well as clients' detailed reports on the conduct of their projects.

A rigorous perspective on the satisfaction of training needs can be gained from the work of Donald Schön (1987, 1991). He examined the prevalent contemporary epistemology of professional training of his time. As noted in the Introduction 4.1

above, he questioned the premise associated with university departments that research informs practice. He turned this on its head: practice itself powerfully creates knowledge. In other words, the relevant body of knowledge for advising derives not from universities with a focus on research and handed down to be applied by practitioners. Knowledge is created by what Schön (1987) called reflection-in-action: that skilled practitioners learn by doing, and that over time they create a body of knowledge, a repertoire of cases and plausible, applicable solutions. This mastery, an art, not a science, could be conveyed to aspiring advisers through a coaching approach exemplified in what he termed the deviant profession of music or architecture via the master-class or studio. The desired product has been well captured in Box 4.5 below, taken from Thomassen and Geerlings, Masterclass Family Business Consulting, TiasNimbas Business School (2005).

Box 4.5 Personal Professional Profile: What's needed to be a family business advisor

Affinity:	develop a good feel for the dynamics between family and business
Attitude:	striving for harmony and seeking compromises
Skills:	focus on process consultation and team consulting
Behavior:	building trust with all stakeholders
Communication:	co-ordinating and establishing an effective co-operation between family, independent directors, management team and advisors

It was a matter of great interest – and excitement - then, to discover that a larger family business advising organisation in the rural sector had instituted a practice they termed 'shadowing'. This entailed the aspirant accompanying the skilled adviser on visits to clients, and afterwards engaging in a tutorial in which the 'master' is asked, 'why did you take that line'? 'why did you not ask this?' so engaging in learning which is to a degree reciprocal. This meets a need that Grubman and Jaffe (2010) found to be essential yet lacking in 'most training programs', a process whereby 'knowledge becomes skill'.

In discussing the nature of this knowledge transferred, interview participant A49 shared this insight:

It's like the doctor who can home straight in on the issue through experience – that's not what he [the patient] is talking about; he's talking about something else that he hasn't verbalised.

Another participant, (A37), the principal a medium-sized accountancy practice agreed that 'shadowing' was a useful way ahead: 'absolutely, unequivocally'. He reflected that:

If at the end of the day twenty years ago I hadn't had the chance to accompany partners on client meetings and see what was doing on. And if today I wasn't concentrating on saying to people, now you can go to that meeting; you've done this before, or saying, right come to this meeting, you do this bit then the next meeting come to the whole meeting…

He continued:

You can't get taught a lot of the things in a schoolroom environment, or a tertiary environment, compared to what you learn in the reality of seeing how people behave and see what they're looking for and understanding their mindset.

Similar practices have been adopted for the benefit of junior staff by South Australia's Rural Financial Counselling Service.

The practice referred to here is cognate with what would be termed apprenticeship, internship, articled clerkship in more established professions. Its wider adoption in family business advising would help to denote the calling's coming-of-age. A good grounding allied to apt personal qualities can make for an extremely impressive professional. One such (A29) expressed his beliefs this way:

There's no substitution for experience, and working with someone in that environment. It doesn't matter how much technical training you get unless you're actually able to develop relationships and have an empathy for what the client is trying to achieve. I think it just comes through experiences and the aging process. I think even the brightest young graduates, they struggle in the early period without having access to the older or more experienced practitioner. I am sure there are courses you could hold that would help people prepare them, but it's having the empathy and the maturity…

Finally, two advisers interviewed had discovered for themselves the value of learning by teaching. Younger members of A32's firm were required to assist at and later to lead course on family business topics.

4.10.5 Professional advisers in summary

Accountants are the predominant and the more permanently engaged advisers to family businesses. Some are competent to advise on the soft or human issues which

confront family businesses; some are not. Among the competent are practitioners of high distinction. However, clients find some accountants – as other advisers - wanting in family business matters. Some trenchant criticisms are quoted in section 4.8.9. This is a matter of particular concern since for many small businesses their accountant is the **only** adviser: shortcomings therefore may not easily be made good.

Most accountants recognise where the limits of their competence lie and are prepared, often eager, to refer their clients on to those with the required specialist skills. Generally, but not always, other advisers - lawyers, financial advisers, (ill defined) family business advisers, (rarely) psychologists - are ancillary to accountants, being called in when their special skills are needed. Good advisers have mastered the art of process advising while grounded in expert knowledge and knowing when to deploy it.

How are good advisers formed? A few believe the required qualities are innate. More would say they attach to those with apt personality traits: empathy and maturity above all. Can the skills be cultivated? Most interview participants believe so, at least to a degree. Institutions in offering training assume so. FBA provides courses leading to accreditation as family business advisers. Most interview participants question its effectiveness. This may relate to the courses' brevity. FFI augments courses with a two-year mentoring program. The IMC maintains a body of knowledge to which aspirants must refer and to which practitioners continually contribute from the knowledge they 'create'. The accountancy institutions do not devote appreciable attention to the 'human' consulting skills.

Schön (1987, 1991) *passim* provides explication of and theoretical backing to a formation which recognises that practitioners create knowledge by reflexion-in-action, and that this knowledge can be conveyed to novices through processes of mentoring – akin to those employed by artists in the design studio or music masterclass. Some advisers have autonomously discovered the power of this approach both through the mentoring from senior colleagues they received themselves and through the mentoring or 'shadowing' they provide to their juniors. These advisers appear to have attained that high distinction to which I have referred.

4.11 Peer advice, networks and learning communities

This thesis is concerned with advice as distinct from advisers. The forgoing has discussed professional advice. This section, in further examination of the availability advice, the second question of the thesis (section 1.4), discusses the prevalence and the importance of peer advice as disclosed by both survey and interviews.

The email quantitative survey revealed the importance of business peers and friends as sources of advice. The interview program provided corroboration and indicated a widespread incidence of networking among family businesses. Its prevalence as well

as the value interview participants claim for it challenge the implication in my research question of a reluctance by family businesses to seek advice. It is also scarcely compatible with Aronoff and Ward (1994) quoting Massachusetts Mutual's (1993) finding in America that only 3% of 'business peers' and 3% of 'friends' were viewed as family business owners' 'most important advisers'. However, in contrast to the findings of Anderson, Jack and Dodd (2005) cited in Section 2.5.4, none of the family business participants acknowledged family members not in the business as sources of advice.

The importance of the subject has also been recognised institutionally in Australia in that the Commonwealth government's programs for attaining the Business Services Certificate IV and Diploma contain units on 'Establishing and maintaining business networks'.

An effective network has the attributes of a learning community which 'takes as its starting point the mindsets and assumptions that people bring to the learning situation' (Jaffe 1998, p.365). The concept of 'communities of learning' has sound theoretical backing. This has been explored in the Literature Review, section 2.9.2 and 2.9.4. Jaffe (2004), having family businesses specifically in mind, maintains that they can be a substitute for or an alternative to professional consultation. Kilpatrick and Bell (2002, p.86) quote with approval one of their networking clients:

> *You can employ a consultant any time you like…but he only has one point of view. One-on-one consultancy is never going to be as powerful as the group consultancy because everyone on our Board…has got an area of expertise.*

Fisher et al. (2005), writing more generally about help seeking and support from peers, maintains that 'peer and professional resources are typically used in different ways' (p. 288): the former providing opportunities for mutual support and friendship, while professionals remain in an 'asymmetrical' relationship with those in need. Kautonen et al (2010, p.203) venture that 'benevolence', ie, having the seeker's best interest at heart, may be the main reason for use of an 'informal' adviser, while professional advisers are sought for their specific competence. The evidence from the interviews supports the view that both kinds are necessary. It was well articulated by C15, the chief executive of a large company. He spoke at length about the value he had received both from professional advice and through membership of networking groups. He made the insightful distinction between the 'structured' advice of the former and the 'experiential' advice of the latter. However the distinction is blurred to the extent to which the adviser employs 'process' as distinct from 'expert' methods (a distinction explored in section 4.10.3).

Receiving advice is said to be 'costly' for those with high self esteem (characteristic of many entrepreneurs) **except** where advice-giving is reciprocal, exemplified in networks (Leaptrott 2005; Parada, Nordqvist & Gimeno 2010).

Networks, media for reciprocal advice-giving, as described by interview participants are both informal and formal.

Informal networking was widespread. Interviewees were relaxed and active seekers of advice from peers, from friends: 'If either of us have issues at work we do talk about it' (C3); 'There are fantastic forms of information for our businesses and all of these things have gone on somewhere else before' (C4); 'People we know that have their own businesses we tend to talk a lot amongst ourselves' (C13). Informal networks which are claimed to have been beneficial range from 'the company next door', to a 'bunch of friends', 'old mates I went to school with', and customers. An interview participant (C9), claiming to be particularly good at networking said, 'I usually get a client off every plane trip'.

While the source of advice might be 'a bunch of friends', for a number of interviewees those with more experience were particularly sought out – supporting the findings of Harvey and Fischer (1997) that the amount of advice taken by its seekers was related to differences in levels of experience. Conspicuously successful (named) businesspeople were thus cited as sources, for example by C5 and C24. While C25 sought the advice of

> *A member of the smartest family in Australia, and the only one without a PhD, because he's a farmer.*

With theories of 'psychological cost' in mind, I questioned interviewees about possible reluctance to seek advice from peers: it was rarely admitted to. One interview participant (C7) refrained from taking advice from peers (though he might listen to it) because he generally distrusted it. He recalled with undisguised approval the practice of a successful South Australian horticulturalist who readily told others about the secrets of his success – but misleadingly: the fertiliser he recommended would contain just one ingredient that was lethal to the plants it was intended to nurture. Another CEO (C11) preferred to seek advice from books rather than people.

Formal groups most often referred to were: FBA Forums; TEC groups; less so, those afforded by Business Enterprise Centres (BECs) and Regional Development Boards (RDBs); and in relation to the rural sector the multiplicity of organisations farmers belong to. Each is discussed in turn.

4.11.1 FBA Forums

FBA Forums are a grouping of up to twelve family business people who with a facilitator meet regularly to address in confidence business and family issues of concern to one or more members. The concept conforms with models in theories of organisational development an attribute of which is repeated dialogue among members leading to mutual trust (Greenwood et al. 2008). They conform also to

models which require 'intimate personal interactions', permitting the exchange of tacit knowledge (Inkpen & Tsang 2005, p.162). Strict confidentiality was also seen by participants, both members and facilitators, as essential to the quality and depth of disclosure the Forums permit.

Forums were widely praised in interviews: 'as good a vehicle you can think of for allowing this peer advice to be effective' (C1). They permitted the exposure of different solutions: 'they all do it differently, much differently, because they've all had different experiences' (C15).

Forums' continuity was applauded. It enabled capture of the dynamic in family businesses:

> *And it does change as the businesses move forward, even in a couple of years...I've seen changes in family structures or in the way their business is run because...somebody's move out...or in, and you think, 'oh well, that's a circumstance I hadn't thought about' (C15).*

One interviewee (A50), a Forum facilitator, enlarged on these propositions. He saw his role as creating a space to allow such experiences to be shared. This could happen in three ways. Firstly, a member might raise an issue of which other members had had previous direct experience. The 'inquirer' was then able to select from the different perspectives offered one or more 'solutions' for application or modification in his or her own context. Secondly, as often happened, the nature of the issue did not correspond to anyone's direct experience such that they could say, 'this is what I did'. Instead all were invited to bring insights or 'life learning' to the table and there ensued a collective exploration of possibilities. In Nonaka's terms, they were involved in 'collaboration …through shared narratives and "war stories"…to construct shared understanding out of conflicting and confused data'. Members were actually *creating* knowledge: they may say, 'I don't know if this will work, but have you tried this or that?' so that the person with the issue would take from the meeting a 'raft of possibilities and insights that they would not otherwise have had' (A50). The third type of knowledge transmission or creation, which the facilitator regarded as the most powerful, occurred when a contributor 'discovers he knows what he did not know he knew'. Effectively, he is drawing on tacit knowledge of which he becomes aware only in its articulation and sharing (*vide* Nonaka (1994, p.16): 'the articulation of tacit perspectives – in a kind of "mobilization" process – is a key factor in the creation of new knowledge'). This facilitator indicated that the process of knowledge transfer would occur spontaneously as long as he 'created the space' for it. A second facilitator (A52), however, while concurring with the phenomenon, maintained it took place only in response to his 'powerful questioning'. The knowledge transfer process is cognate, epistemologically, with the

adviser's 'reflexion-in-action' discussed in Section 4.10.4. above. Its implications will be further explored in Chapter 5.

Another member of the Forum, however, said he 'could not recall a lot of the third type of learning'.

Both facilitator and interviewed Forum members extolled diversity and difference of experience and the circumstances giving rise to it (see Box 4.6 for the facilitator's viewpoint). C15 said he benefited from learning how 'a person like C1 might handle it as compared to ... three or four others that are in that group who are either second or third generation operators'.

These insights challenge the widely accepted concept of best practice. They gain support, however, from the research of Melin and Nordqvist (2007, pp.323-324) who warn against:

> *develop(ing) theories and practices that do not take enough into account the different types of family businesses or the uniqueness of each individual family business that emerge from the special characteristics related to the particular family, its individual family members and its business(es)*

This, too, is referred to in Chapter 5.

Box 4.6 Merit in diversity: a facilitator's view

It becomes clearer and clearer to me that the notion that there is a best practice is a dangerous one because it tells family businesses that they are right or they're wrong, and therefore it excludes from them a whole raft of possibilities that are right for them. I'm sure that there are principles; there are facets of family business that deserve to be highlighted as areas that can generate problems if they are not thought about. But I've seen family businesses come to completely different views on the same issue that are right for them. We don't treat family life as if there's a best practice. Anyone who's half wise recognises that that's a nonsense.

The same facilitator also saw value in a Forum's continuity – over a considerable number of years. Box 4.7 tells the story, as the facilitator related it, of one member's personal growth.

Box 4.7 A facilitator's success story

I've got a member of one of my Forums who has been a member since its creation in 2002. He is a next gen who works in the family business with the older gen who own and manage. From day one he was challenged to be heard in the business. He had a lot to offer, insights into the operations of the business. But wasn't heard. He had not been able to develop the relationship with the older gen, the controlling gen that gave him a voice. So he has been able to come each month and share frustration and his growing understanding of that. Share his trials and his triumphs as he made slow but steady progress towards gaining a voice in the family business. And the Forum has been a critical part of giving him an understanding of how his elders are seeing the world. And helping him to manage his impatience and to play to their strengths in a way that progressively has given him a voice from a very frustrated late 20s over eight years he has become a very wise and increasingly successful late 30s, and I've watched him grow in concert with his community of learning. It's hard to say there was this one moment when it all...it's not like that. I could name a number who have shared very challenging circumstances over eight years

It needs to be recorded, however, that another member of the same Forum questioned whether the young member's learning as described by the facilitator in Box 4.7 had been as complete as he maintained. He recalled that there had been a lot of revisiting of issues with little apparent progress.

Forum members, recognising the first type of learning described above, maintained they had gained tangible value in hearing from their fellows who had surmounted challenges of a kind they were now confronting. Two separate interviewees, for example, spoke of the benefit received from the experiences of the same fellow member who had successfully 'navigated the succession journey': he was 'a few years ahead of me' (C15).

While the Forum concept received unchallenged approbation among members, divergent views about the styles of the facilitators emerged. C1 had found the performance of facilitators to be variable. He likened this variability to that found among advisers. One had 'done nothing' while members discussed how they had spent the weekend and then listened to a speaker on some recent HR legislation. Another facilitator had had to be urged to show more leadership: *she* was told 'you have got to grow balls, because if you don't the group will fall apart'. She evidently succeeded, functionally if not anatomically, for he could claim that latterly, 'the association between us is very strong' and accordingly expressed approval. Interviewed Forum facilitators themselves differed as to the amount of their

intervention that was desirable. The test here was the preference of the members, who if they desired could move to a group facilitated in their preferred style.

Broadly then, Forums receive approval of those who have had the opportunity to avail themselves of them. But FBA's coverage is small, having some 350 members among South Australia's estimated 50,000 businesses.

4.11.2 TEC Groups

TEC (originally, The Executive Connection) groups are part of a worldwide organisation formed in 1957. Group members are CEOs but not confined to those from family businesses. Like FBA Forums, groups meet regularly and are bound by strict confidentiality rules. The ethos is more 'directive' than that of the Forums, members being required to commit to specified action in relation to their businesses and are subject to questioning as to its fulfilment. In between group meetings each member meets with the group chairman for a one-to-one session. Group meetings follow a regular format, as follows:

a. a member raises an issue, a 'challenge' or 'opportunity'
b. discussion of it ensues
c. each member is invited to offer a brief 'solution'
d. the 'challenged' comments on what he has heard
e. sometimes, the 'challenged' undertakes to act, with a deadline.

Presentations by external speakers sometimes take place.

One interviewee was a TEC chairman. Several of his members were family business CEOs. He encourages discussion of succession and recommends membership of FBA to them.

A number of the interview participants were members: they were broadly positive, C15 extremely so: 'Becoming part of TEC has been great for my business acumen or business learning'. It was credited with helping to increase the size of the business, obtaining learning that he was unable 'because of my position, to come back to university or whatever'. Another (C24) said:

> *You can't treat it as professional advice, it's sort of more real advice because the members you're there with have been there, done that. They know what works, what to be careful of.*

Yet another (C23) said it taught him he had been working 'too much in the business', and had helped him to identify then achieve the goal of 'getting my older son to take my role over'.

The disadvantage was cost ($900 a month): 'I was paying so much money for TEC I rarely went to listen to anyone else speak!' (C20). But he gained from his sessions with the chairman - until he reached the point where 'I was giving him one-on-one, not the other way round'.

4.11.3 BECs and RDBs

Business Enterprise Centres and Regional Development Committees (formerly Boards) in South Australia are government-sponsored, not-for-profit organisations whose primary role is to support and grow new businesses by providing business information, advice and guidance. They provide informal and formal opportunities for networking as well as one-on-one advice to businesspeople.

Owners of those (smaller) businesses that had discovered what the BECs and RDBs offered were enthusiastic about the benefits. I interviewed the owner of a family business in its early growth phase who had used the local BEC to the full (C19). The contacts she had made there, BEC manager, mortgage broker, banker, coach, were enlisted, in effect, as a mainly unpaid team building her venture. Another (C9) had used the BEC to identify the person who became her principal and valuable adviser. Another (C42) praised the BEC for 'giving a voice to the little people...solid, unbiased advice for people at ground level'. However, an adviser, A6, said that the BEC was so busy giving advice, which she valued, that they did not appreciate how much advice she could offer others. It is perhaps noteworthy that the most enthusiastic users of BEC networks were women.

Larger businesses either did not use BECs' services or had found them of limited use. However, one interview participant from a large family business (C22) had used information about the practices being commended as a means of checking the quality of those of his own company.

4.11.4 Rural networks

The rural sector largely falls outside the ambit of FBA. Instead it has by tradition and through the support of governments and their extension services been involved in a dense and varied networking scene. It encompasses those of the peak body the National Farmers' Federation (said by the interview participants to be waning in activity and influence); of sector associations: dairy, nursery, and so on; Agricultural Bureaux, groups of farmers who meet once a month and address problems, usually of a technical or operational nature. The Rural Financial Counselling Service of South Australia provides advice to farmers in financial difficulties but often moving on to cover succession and other family business issues. Typical of less formal networks, a producer group was described thus by interview participant A32:

That group has existed for eleven years; it operates on an open book, so each year those ten businesses are benchmarked and have a critical review of each other, and there's a lot of discussion around succession planning.

Less formal still, 'having a yarn in a pub or a sporting event' (C25), is commonplace.

Networking and sharing among farmers is prevalent particularly because in most sectors they do not compete:

They don't see themselves as rivals. That's a very important point...; the rival is the market, which may be far distant, those spinners in Bradford, those awful buggers. So then everyone helps each other (A28).

This is consistent with findings by Dillon et al (2001) that respondents to a questionnaire on means of providing support and advice from South Australian rural and regional centres favoured forums from 'your specific industry sector', while those from Adelaide and the Adelaide Hills regions indicated high preference for the provision of forums from mixed industry sectors.

Networks are stronger in some sectors: livestock, grain; weaker in other; non-existent in horticulture having very small operators, where they would cut each other's throats (A28).

4.11.5 Other formal networks

Membership of sector-based networks was cited by many: the Property Council, regional wine forums, the Migration Institute, 'Young Spatial Professionals', and so on. It was in discussing such bodies that negative features of networking were raised. They had to do with competition: 'We all sit there and look at each other and try to steal each other's clients' (C8). With such organisations FBA with its non-competitive Forums was sometimes compared favourably.

4.11.6 The un-networked

The significance of networking was powerfully observed in its absence. Networks were prevalent but not universal. Where absent there seemed to be a reasonably strong association with conspicuous business or personal shortcomings. Networks were empowering, self-evidently so for the recipient of valuable advice. But giving it builds confidence and, at the least as noted above, leaves self-esteem intact.

Networking was not decried, rather put aside by the exigencies of growing an enterprise:

to get it to this size and have a family grow up at the same time, yes, I probably haven't had a lot of chance to network (C10).

and

I wish I knew more business people, but I just don't...I hadn't the time (C5).

The same interview participant said, I believe by way of self-revelation,

So I would think a lot of people in the small business world aren't totally confident in what they're doing, that's my gut feeling, and when they're asked, should you get outside help, they may be exposing their inefficiencies or inadequacies and they shouldn't really be running that business anyway!

Another (C23) spoke wistfully about the benefits of networking denied her:

I think when you free up your time and you can get your business running the right way, and you're not spending so much time doing, you can join those things, you can, and that's the way of building your business, isn't it? through networking and talking and going to these events…right now we don't literally have the hours in the day to do that.

Uncertainty as to future career and aims was confessed by interview participant C17. She had no formal nor even informal networks, no contemporaries in business where career might be discussed. She had found it daunting to form liaisons in a male-dominated sector.

Alone in distinction from those who regretted networking foregone, C7 disdained it.

I don't know that I've ever sought formal advice from anyone. I am aware of the difficulty that even peers in the same industry have of giving misleading information and deliberately putting you on false trails.

His relative, also in the business, said of him that he had 'burnt a lot of bridges' and he no longer 'has those sorts of supports that you and I might have'.

4.11.7 A community of elders

The 'community' was enunciated first by Dennis Jaffe in his report as Adelaide Thinker in Residence (2008, p.45):

A group of elders, senior members of business families who have learned by doing, who have grown up and served their families, and who have the time and commitment to offer help to other families.

The role envisaged was that of mentor, someone to whom family business people could turn in helping them move through a tough spot or crisis. They could help

train and sensitise advisers to the unique problems of family businesses. They could thereby create for themselves a rewarding endeavour as they moved towards and embraced a stage in their life beyond leadership of a company, that of an 'elder' 'serving the family, the community and himself' (Jaffe 2010, p.218). Jaffe perceived that such people were already at work informally in South Australia; indeed that their input was 'implicit on every page of this report' (Jaffe 2008, p.46).

All interviewees questioned on the topic were in support, sometimes vigorously. Their enthusiasm sprang from a perception that there was an insufficiently used resource available to assist family businesses. More, such activity could be beneficial to elders themselves in ameliorating the fear of retirement, in tempering reluctance to 'let go' in favour of younger successors, and defining for them a future satisfying role. It would provide 'an activity to retire to, not merely a business to retire from' (Moores & Barrett 2002, p.127). These latter expected benefits are consistent with those found by Gagnè, Wrosch and Brun de Pontet (2011, p.299) in examining so-called 'goal reengagement capacities'. The elders could constitute models to help allay the same fears among clients concerned about letting go and instil in them the idea 'that top leaders can successfully detach themselves from the firm' (Sonnenfeld & Spence 1989, p.372).

No less than three chief executives interviewed identified the same unappointed 'elder' as having assisted them in succession issues. The man's daughter (C14) said, 'It's already happening without being official. The number of people that will ring in and talk to Dad...'

She said,

> *I think it would be valuable because there are a lot of people out there, you know my age group, those that are in their late fifties and sixties who...are getting their business to a stage where it can be run by others...and I hear a lot of them saying that they really don't want to retire.*

C15 expressing the same sentiment spoke of a senior employee, then 71, who said, 'I just don't want to keep my body going, I want to keep my head going too'.

C1 said elders would qualify by having been 'very successful in business: they have a proven track record'. It would require 'personal stuff' too, the ability to foster growth in people, not those who had 'ruled by fear'.

An adviser (A33) related that he sent his junior staff to courses at the Australian Institute of Management (AIM) run mainly by retired business people.

> *they are not necessarily teachers, they are being a bit less formal, telling people what works and what doesn't. And I know when we get our staff going through one of these*

sessions the reaction we get is very good because they actually think it's not just the people in our firm telling them what to do, it's somebody independent. And I think that would be probably the best way for someone to learn.

Respondents believed that a 'community' could be formed by influential business leaders without necessarily involving government: an idea was 'there for the having'(C1). I took the point and joined with fellow enthusiasts, fortified by the encouragement of the Governor of South Australia, who hosted an inaugural meeting, to put it into effect.

4.11.8 Family businesses are networkers

As intimated at the introduction to this section, the extent of advice-seeking through networking among family businesspeople and from peers and friends individually was on a scale to challenge impressions of a reluctance to seek advice with which I embarked on my research. The possibility of some bias should be noted, however. Survey respondents and interview participants were mainly from Adelaide, described by A52 as 'a big country town, heavily networked'. Interview participants attested to benefits derived from it.

Some formal networks, notably some FBA Forums, whether fortuitously or by intent, had discovered and harnessed the power of a community in which 'every member...is a resource to the others' (Jaffe & Lane 2004, p.3). Their coverage, however, is minute in relation to potential participants, the family business population.

Do networks and less formal interactions between family businesspeople lessen the need for advisers? Jaffe & Lane venture that the process 'can be a substitute for professional consultation' (Jaffe & Lane 2004, p.13). C15, who had benefitted from professional advisers and peers, neatly distinguished structured (professionals') advice from experiential (forums'). On 'substitution', my provisional answer, explored further in Chapter 5, is, no. Informal networking has elements of the haphazard, fortuitous and partial; not involving all the players in a business necessary for agreed and sustainable resolution; not obviously a mechanism for follow-up and implementation. Nevertheless, for those (few) involved in formal networks more satisfying outcomes may be achieved.

The Community of Elders, a concept outlined in the subsection above, commanded strong support from interviewees:. It has now been formed and it may provide some benefits associated with both professional and peer advice.

4.12 Public policy

'Public policy implications' in relation to family business engagement was the third of the issues I set out to explore. A substantial part of the Literature Review is devoted to studies of the justification for and the effectiveness of government support for industry, and particularly for SMEs - and the arguments of its opponents. A significant strand was the record of the initiatives by the governments of European Commission counties in the support of family business and argumentation for further efforts recorded notably by Mandl (2008) and in the EC final report of the expert group on family-business-related issues (European Commission 2009).

All interviewees were asked about their views about the need for more government support on advice to family businesses. One interview participant alone, adviser A35, recommended government support to help meet the cost of advice to smaller family businesses. To interview participants, family business challenges were not thought to be matters which might be alleviated by government action. This was an unexpected finding both in the light of my previous experience and of the attention given to the effectiveness of representations to government by Family Business Australia as documented by Craig and Moores (2010); also in the light of government actions described in sections relation to and in Sections 1.3.1 and 1.3.2 of the Introduction. New initiatives aside, however, forms of assistance that were already in being, notably those provided by the BECs and RDBs, were strongly commended by a small number of the CEOs of smaller and newer family businesses who have availed themselves of them, as mentioned in sections 4.11.3 and 4.11.4 above. They were also commended by two advisers, one of whom, A46, considered them the best source of information about the availability of advisers, 'because they have people on the road'.

Despite the limited the response from those interviewed to questions about government involvement, many recognised the usefulness of raising awareness of issues and to the signposting of sources of help. This is discussed further in the Section 5.8 of the Conclusions chapter.

4.13 Conclusion

Family businesses in the survey's sample generally recognised themselves as such and recognised family business issues. However, in about a quarter of smaller and first generation businesses there was no awareness of 'family business issues arising in the business'. This could mean that future issues would not be anticipated and so not dealt with in a considered and timely manner.

The need for external advice was seen to be very widespread in the area of study: this was so in harmonious or apparently harmonious as with 'conflicted' family businesses.

The most common deterrent from seeking advice was cost. This was reported by a quarter of small businesses (turnover less than $5m). The second most common deterrent was unawareness of where to seek advice: all but two of those reporting this were in businesses with turnover under $5m. Interviews revealed a small minority of founder-CEOs who were psychologically resistant to advice-taking. This caused detriment to relatives' wellbeing and risk to the business. Many CEOs and almost all advisers interviewed, however, could number 'impervious patriarchs' among their acquaintances or clients.

Accountants were by far the advisers most consulted and were usually in enduring rather than ad hoc relationship with their clients. Their advising capability and/or their propensity to refer-on when necessary are therefore of critical importance to their clients. CEO participants were divided in their regard for the capabilities of their accountants in family business matters. Many were seen to fall short. Others received high praise and some accountants interviewed presented evidence of outstanding relevant qualities.

Peers as advisers were prevalent, more so than had been expected at the outset of the research: family business people are networkers. It is not possible to generalise about the quality of peer advice. When undertaken systematically, as in FBA Forums or TEC groups there is evidence of effective outcomes, but these are entered into by relatively few. Networking is probably not an adequate substitute for professional advice.

Matters of practical significance can be summarised as follows. Advice-seeking is more prevalent than expected at the outset of the research, peer advice being widespread. Peer advice was spoken of positively by participants but its nature is haphazard and its quality not capable of generalisation. Formal networking, notably through FBA Forums, was found to be effective, and some relevant theory indicates why this should be so. However, their coverage is minute in relation to potential beneficiaries. Professional advice, as well as networking, was found to be needed by all. But its quality is variable. This raises questions about advisers' skill formation - and maturation. Participants emphasised the need for advisers to have insights into the challenges – and motivations – of family business clients. And since accountants form the largest advising resource the training in this regard offered by their professional institutions deserves attention. Insights inculcated in early learning need to be heightened and 'matured' through the tutoring of experienced practitioners, a process one exponent well describes as 'shadowing'.

Small family businesses especially are deterred by the cost of professional advice and uncertainty about where it is to be obtained. Here the role of the Business Enterprise Centres and Regional Development Boards is crucial.

The research offers some insights of relevance to the development of theory. Firstly, it affirms trust as the main ingredient in relations between adviser and advised. It puts forward the concept of vicarious trust, one hitherto neglected by scholars. Secondly, within theories of social capital it adds to the understanding of the power and prevalence of networking. Thirdly, it offers enlargement of the understanding of the areas in which knowledge creation theory can apply: some extension of the concept of '*ba*', 'a place where new knowledge is created' (Nonaka & Toyama 2003).

Chapter 5 Conclusions discusses further the application of the theories mentioned in the previous paragraph, it explores some implications of the practical issues raised; and offers suggestions for further research.

CHAPTER 5: CONCLUSIONS

5.1 Introduction

The research has sought to investigate the factors that drive and impede the uptake of external advice on family business issues by family businesses, how such advice could become more accessible and appear more relevant, and the implications for public policy. Section 2.11 in Chapter 2 set down the scope of the study in the light of the review of literature and the gaps identified. In covering the ground Table 2.4 serves as a prompt.

Those from whom information by survey and interview has been sought have largely acknowledged that they are family businesses and as such they have recognised that they are or will be challenged by distinctive family business issues. The seeking and taking of external advice on them is more widespread than initial preconceptions bolstered by the literature may have indicated. The principal sources of advice are accountants with whom most businesses have continuing relationships. There is also widespread resort to peer advice (Sections 4.7 and 4.11).

Trust is seen to be the prevailing determinant in choosing an adviser (Section 4.8). Further reflexions appear in Section 5.6 below.

Deterrents from seeking advice are elicited in Section 4.6. The relevance and validity of theory is considered further in Section 5.3.

While professional advice is generally valued and acted upon (Section 4.9), clients have also brought to light frequent and serious shortcomings in its quality, a finding corroborated by some advisers. This invites inquiry into the means by which professional advisers, particularly accountants, gain their skills. Mentoring 'shadowing' by more experienced advisers, conveying the wisdom gained through maturity, was convincingly commended (Section 4.10.4, developed further in 5.7.1). Peer advice was not subject to such strictures.

The public sector is not seen by research participants as a major player in the dispensing of advice on family business issues other than that of awareness raising and of signposting sources of help (Section 5.8).

Section 5.2 attends to the question of propensity to seek external advice. The sections that follow observe the conclusions of the research through the lenses provided by studies of the psychology of CEOs, principally by Kets de Vries and discussed in Section 2.5.5, and by the theories which were provisionally enlisted in Chapter 2, namely institutional theory, social capital, trust, and knowledge creation.

5.2 Family business's propensity to seek and take external advice

Peer and professional advice are shown in the research to be beneficial, the former not to be foregone without disadvantage. Need for professional advice is not shown to correlate with the size of business or the degree of harmony or discord prevailing.

More real than apparent at the outset of my research, neither my previous experience nor my reading prepared me for the extent and the benefits of peer advice, particularly through both formal and informal networking. Those without networks display disadvantage. Powerful forms of networking were observed, notably Family Business Forums. At best they exemplify the features of 'communities of learning' as advanced by Jaffe (2004). But their reach is small. Membership of FBA is minute in relation to those who would qualify (and benefit) as members. South Australian Business Enterprise Centres' and Regional Development Boards' potential for encouraging networking among family businesses largely remains latent. Furthermore, (South) Australia does not enjoy the extensive networks provided by or in association with the American tertiary sector. How the availability of forum-type networks could be increased along with family business people's knowledge of them would repay further investigation. CPA Australia, for example, has a membership approaching 100,000 accountants in Australia. If the institution were to enter this realm a substantial extension of the concept could occur. In this regard, I have been invited with a co-author who is a South Australian chapter office-holder to prepare a guide to advising family businesses. It will propose, among other things, that CPA and its members commend and create such forums.

The use of professional advice is more widespread than my previous experience had indicated. Perceived cost and unawareness of its source were principal deterrents, particularly for small family businesses. Need in both circumstances could be met at least partially through networking. But a greater role could be played by Business Enterprise Centres as suggested in Section 5.8.

5.3 CEOs resistant and engaged

Whether individuals choose or choose not to seek advice is the subject of study by social psychologists, notably Nadler (1987). It finds there to be a psychological cost involved in electing to do so. But this can be mitigated if is not felt as injurious to the seeker's self-esteem, and more so, if it is believed help received can be reciprocated.

These ideas proved to be applicable in the special sphere of family business entrepreneurs. However, there is a type of entrepreneur whose psychological make-up disposes them to be particularly resistant to seeking and taking advice. This was not explored in the survey addressed to CEOs. Such a characteristic, however, was observed and, more commonly, reported upon in interviews. It is extensively described in the literature, notably by Manfred Kets de Vries, with a tendency to

represent it as an invariable attribute of entrepreneurs, as if the product of clinical observation had been ascribed also to the healthy population. Propensity to cause pain to relatives and damage to their organisations was authenticated in the interviews, both directly by relatives and anecdotally by advisers (Section 4.6.6). Some measures for mitigating the effects were offered: successful forms of intervention by advisers ranged from confrontation to patient counselling. Alternatively, support for relatives in enduring or moderating the behaviour was offered, and in extremis resort to the Board of Guardianship was recommended!

A striking, if subjective, feature of CEOs interviewed, however, was the impression gained of people who were energetic, creative, open, frank, balanced and usually exemplifying the view of one of their number (C2) who said, 'Clever entrepreneurs are very good networkers and networking often means collaboration'.

5.4 Institutional theory

As argued in Section 2.10.1, institutional theory was a useful corrective to stereotyped assumptions about (family) business people's motivation, ie, profit maximisation and the pursuit of personal self-interest expressed or implied by proponents of agency theory, which

> *serves as the main foundation for research on a type of organization [family business] that is known to operate on a highly relational base, be highly emotionally loaded, driven by both economic and noneconomic goals* (Pieper 2010, p.28, quoting a number of sources).

Nonetheless there appears in studies from an institutional perspective a pejorative view of their subjects' actions, typified by Oliver (1997): 'compliant, habitual, unreflective' by those 'captive of their own history and of the founder's cognitive sunk costs', attributes consistent with a reluctance to seek or take external advice. The view may ignore the heuristic capacity of the decision-takers concerned. It was not observed in the chief executives I interviewed. Indeed, there appeared a frequent consonance between motives, aims and successes achieved among CEOs: they had done what they set out to do, or if not, they were seeking guidance about who could help them go about it.

Nor were subordinate family business members 'captives' of the CEOs or founders nor constrained under their 'shadow' (Davis & Harveston 1999) . On the contrary they were, variously: subversive (C7); passively resistant but likely to become actively so (C8); respectfully offering opposing – and prevailing – views (C17); and complicit (C22). This indicates the limited application of the theory in the businesses studied.

But institutional theory relates not only to behaviour in the organisational field, the business, but also in the 'interorganisational', between businesses. Isomorphism (Section 2.10.1) was scarcely detected despite the espousal of ideas of 'best practice' by FBA discussed further in Section 5.7.2. Rather, participants celebrated diversity in the solutions adopted for similar problems by different players. They recognised, like Melin and Nordqvist (2007, p.323) that 'there is not one type of family business' and warn researchers against taking insufficient account of the uniqueness of each one. On the other hand, strong mimetic influences were revealed in the research. For example, no less than three CEO participants acknowledged gaining inspiration in tackling succession by the successful example of a fourth. And the preparedness of FBA members freely to give account of their successes at conferences and less formal gatherings was acknowledged, praised and learnt from. The cautionary as well as the mimetic was influential: participants extolled the telling of 'war stories' at similar events and the learning gained from other families' disasters. Such experiences may be seen as embraced within the bounds of institutional theory. But so far from offering prescription, they invited reflexion on the diversity of *context* and the variety of useful solution.

5.5 Social capital

Section 4.11 in the Findings Chapter leaves no doubt about the benefits, acknowledged by all respondents, of networking both formal and informal. The conclusions of numerous researchers cited in Section 2.9.2 are confirmed. Evidence of business shortcomings associated with its absence was also offered in the research. It is not possible from this research to say conclusively that family businesses gain more from advice provided through social capital networking than non-family businesses. Undoubtedly networks afforded by FBA are beneficial to the (relatively few) businesses that constitute them. They benefit from their focus on distinctive family business issues.

This research contributes to previous studies of social capital and networking in disclosing how networkers benefit from the *diversity* of valid advice received; valid by virtue of the different *contexts* from which advice-givers proceed. The advice received (and given) is different from that provided by expert advisers in demanding a higher order of understanding, that is to say, an ability not merely to receive advice but to discriminate and select it in accordance with the receivers' own circumstances and values. It has the attributes of the 'learning community' described by Jaffe (2008) in which 'every member of a community is a resource to others'.

5.6 Trust

Academic writers' elevation of trust as the predisposing and sustaining element in decisions to engage and retain advisers, as also in the conduct of more general business relationships, is amply borne out by both survey respondents and interview

participants. But whereas previous writers in theorising about the acquisition of trust have maintained it was gained through long maturation, resulting from 'accumulated experiences over time' and 'consolidated through repeat interactions', I found that it was transmitted by references and testimonials; that the trust can be 'matured' vicariously by respected friends and acquaintances. This was attested to by every family business person and adviser interviewed.

There are practical implications, too. There are opportunities for greater provision or exchange of references for and among family businesses. Schemes that 'accredit' family business advisers such as Family Business Australia's could recognise the relevance of references not only in admitting candidates to the scheme but also to make known and commend the services of those who graduate and whom previous clients rate highly. In this regard it is noteworthy that the Institute of Management Consultants requires those seeking certification to demonstrate proficiency on actual projects, in which the judgment of the client plays a crucial part. Their references are then available to prospective clients.

5.7 Knowledge creation and transmission

Schön (1987, 1991) wrote of the power of 'reflexion-in-action' in the creation of knowledge (see Section 4.10.4). In enunciating this theory he acknowledges a debt to Polanyi, (1966) who introduced the term tacit knowledge in his eponymous work. The term denotes knowledge which has been assimilated but not expressed (and which may not be expressible, for example to describe how we recognise a face, or ride a bicycle). It may draw upon 'an intimation of the coherence of hitherto not comprehended particulars' (Polanyi, p. 21). These concepts are useful in illuminating – and linking – the following three aspects of the research.

5.7.1 Advisers' skills formation

Schön applied the notion of reflexion-in-action in explaining not only how practitioners gain knowledge but how they can convey it to their junior colleagues or students, teaching the 'artistry' of their calling by demonstration and discussion. Some advisers who were interviewed for this research and who were particularly impressive have discovered this process, speaking of it in their own terms. They recall the firm grounding that they obtained at the launch of their profession through the guidance and mentoring of their seniors and the opportunities they were given to see them at work with their clients. Some have in turn instituted the same process for their juniors, termed by one, 'shadowing'.

Advisers' theoretical and technical knowledge is gained in the course of tertiary education. FBA seeks to supplement this with short courses specific to family business advising preparatory to 'accreditation'. But the higher skills in the human

field of family business consulting require what adviser A29 described as the ability to develop relationships with the clients and have 'an empathy for what they are trying to achieve'. And this, he maintained, 'comes through experiences - and the aging process'. But it can also be cultivated at an earlier stage in the career. CPA and ICAA require tertiary institutions seeking their accreditation to develop their students' 'generic skills', among which they include 'the ability to listen effectively'. The 'empathy' in advisers sought by client respondents is cognate with emotional intelligence (EI). While there is recognition among tertiary educators of accountants' need for EI it does not appear to be adequately supplied, and in particular in regard to client relationship skills. There may be more utility, however, in inculcating such skills as part of early professional development since Grubman and Jaffe (2010) have shown that students with work experience scored better in EI tests. The *art* of consulting would therefore be learnt more readily where there were opportunities for client contact. However, as indicated in Section 4.10.4 the human skills necessary to engage with clients is not presently addressed by the CPA professional development program.

Accountants, like other established professions and trades, law, medicine, engineering, have (or have had) regimes termed, variously, articled clerkship, internships, apprenticeships. But those new to the evolving field of family business advising require, no less, a like preparation. FFI has taken a step forward: it requires of those who seek a certificate in family business advising to 'choose a mentor... and work with (him or her) on two cases and other activities mutually agreed upon'. Additionally, FFI provides for fellowship status in family business advising, and in requiring ten years' membership to qualify it recognises the value of maturity.

The elements of coaching or mentoring can be instituted autonomously by larger firms as part of professional development and in association with the formal training in human skills some offer (Daff, de Lange & Jackling 2011). But this is not readily available to small practices and particularly sole practitioners. Research therefore would be welcome into the justification for and, as appropriate, features of a public subsidy or scholarship scheme to enable aspiring advisers to be placed in consultancy organisations with the resources to provide traineeship or 'shadowing' opportunities. Such a scheme would be consonant with the aims of the Australian government's Enterprise Connect.

How the capacity might be developed in those both disposed and psychologically equipped is discussed in the paragraphs above. Experience from the interviews compels the belief that accountants, the adviser by far the most employed, can attain the summits of performance in family business advising – to a degree not always appreciated by their clientele or the wider community. And since the providing of technical (expert) advice and of process advice, calling upon the human skills, is usually intertwined, it is fitting that the technical skills deployed are more rather

than less broadly apt in tackling family business issues. The accountant is the family business's constant guide in distinction from other professions called in as needed (and commonly on the accountant's advice).

Further research would be welcome on how the foundation of advisers' consulting skills might be advanced systematically rather than fortuitously, eg by having the right mentor – or *any* mentor. The accountancy institutes have the capacity to undertake it.

To sum up, mastery of the higher skills entails having

- an empathetic disposition
- a technical entrée
- studentship involving coaching or mentoring
- maturity.

5.7.2 Peer learning

Schön's concepts have force not only in the training of advisers but in the gaining of knowledge and the elucidation of solutions among peers with regard to the problems that challenge family business people. It is relevant to the practice of networking, and in particular that within family business forums, described in Section 4.11.1.. A forum facilitator related how family business participants were able to benefit from the direct experiences of those who had already encountered and resolved the problems that were being raised; also how problems not directly encountered by fellow participants could be addressed by recalling different but analogous problems they had worked through. But the facilitator disclosed a third, surprising, route to the understanding and possible solution of a problem: the power of dialogue to engender a drawing out of knowledge of which the speaker himself had hitherto been unaware. 'He didn't know what he knew'. This instances the ability of dialogue to make explicit what had resided previously as tacit knowledge, a process which Nonaka (1994, p.19) describes as:

> *a mode of knowledge conversion that enables us to convert tacit knowledge through interaction between individuals.*

He explains:

> *Although ideas are formed in the minds of individuals, interaction between individuals typically plays a role in developing these ideas...'Communities of interaction' contribute to the amplification and development of new knowledge* (p. 15).

It is noteworthy that Nonaka developed his theory as one relating to organisational knowledge, implying a home in the permanent structure of businesses, corporations. My research attests to its relevance in circumstances of intermittent contact and multiple affiliations. But as in Nonaka's world, an essential ingredient is the building of 'mutual trust among members'. Recognition of Nonaka's revelation adds powerful theoretical justification for forums, but also for the encouragement of and engagement in the many forms of networking both those in being and described above and those which might be devised anew.

Family business people can learn from each other. But how useful is the codification of perceived success in the form of best practice? Dana and Smyrnios (2010) question the efficacy of distilling the 'incredibly complex array of attributes and factors that operated simultaneously' (p. 51) in a successful firm into notions of best practice to be promulgated and taken up by other firms at other times. Nonaka and Toyama (2007, p.372) maintain that turning to universal theoretical answers can be to overlook the 'aspect of strategy that is based on practice in a particular context., rationality being inherently contextual – and fallible (Miller, KD 2008, p.942). Schön's practitioners do not believe that reflecting in action on unique cases can give rise to general principles, rather that they contribute to a 'repertoire of exemplary themes...from which they may compose new variations' (1988, p. 68). This debate is a contest between precept and context. The interview participants, supporting my own experience among family businesses, give primacy to context. Adviser A50, quoted more fully in Chapter 4, Box 4.6 is forthright: 'the notion that there is a best practice is a dangerous one'.

Chief executives concur. The head of a large company (C15) says, in relation to forum members:

> *and they all do it differently ... much differently, because they've all had different circumstances, you know, at the back of it all.*

He recognises the dynamics: that circumstances would invalidate or modify a precept.

5.7.3 Qualitative researching

In field research knowledge can be created in the interaction between interviewer and interviewee, a duo who are in effect fellow researchers. It requires knowledge on the part of the interviewer, the deeper the better, but controlled so that views are not imposed on the interviewee or attributed to him/her. Roberts (2002, p.14) notes that for some, the research role 'should be involved in aiding personal or collective realization – as consciousness-raising'. The process is analogous to that reported above as occurring in peer networking. The interviewee's knowledge, the possession of which he may be unaware is elicited through dialogue. Tacit knowledge is

converted into explicit through the medium of dialogue, a process described by Schwandt (2007, p.79) as:

> *a form of discourse...in which the meanings of questions and responses are contextually grounded and jointly constructed by interviewer and respondent.*

The dialogue with the principal of an accounting firm reproduced in Section 4.8.4 offers an example. C18, said, in answer to my question: 'Referrals? we get a massive proportion of our business from referrals: huge'.

I asked about the characteristics of those referred to him: whether they were different from clients who just walk in the door. After reflexion he said,

> *The beauty of referrals particularly from where you're coming from is that the people who are referred to us already feel a connexion because their connexion has been connected for a while, so it almost feels as if they've had that same connexion. So they're starting off not just walking in the door and meeting us; they're starting off knowing we've been dealing with the family of their friends.*

He went on to say that such clients had a greater propensity to remain clients than those who had not been referred. In the process of this exchange the idea of *bonded* clients emerged. As a result ideas about vicarious trust were supplemented by the notion of bonded trust, a proposition reinforced in later interviews and which I believe to be of significance in the research.

5.8 Public policy

As stated in Section 4.12, action by government was not a major focus in matters raised by participants. This may in part denote the symptom of a problem rather than its absence. Unawareness of problems cannot prompt initiatives to help solve them. The survey found that in about a quarter of both smaller and younger (first generation) businesses no family business issue was recognised. Referring to crucial problems of transfer or succession, the European Community (2002) urged its member governments to undertake awareness programs, commending those that had already done so. They went further: 'until the problems of business transfers are covered by the mass media, entrepreneurs will not feel it is an emergency that needs to be tackled' (p 22). Mandl (2008) emphasises the sector' 'intransparency', meaning lack of recognition of the significance and distinctiveness of family business. Unawareness leads to the equating of family business with small business resulting in a misunderstanding of its needs by those, including government itself, who can affect its wellbeing. The provision of information by government as distinct from active intervention has not been in doctrinal contention and therefore should not offend any remaining 'small government' advocates as identified in Section 2.8.

An essential step is the preparation and publication of useful statistics on family businesses by the Australian Bureau of Statistics, activity the organisation has resisted despite representations by researchers and by the South Australian government over many years. Specifically, Craig and Moores (2010, p.174) have proposed that 'longitudinal data from a national sample should be collected and objectively interpreted'. The Chairman of Family Business Australia addressed the issue in his editorial letter in the Family Business Magazine of Winter 2012 (Kennard 2012), where he recognises a 'pressing need' for up-to-date statistics and pleads with ABS to 'give us more reliable data'. Assertions that the provision of family business statistics is an undertaking of great difficulty can be countered by reference to material provided by the equivalent agencies of other governments, for example, that of the Central Statistics Office of Ireland in its Family Business in Ireland report (2008). Given the primacy of succession among family business issues, government can forewarn owners who fail to act in sufficient time to secure their business's future. In this regard the European Commission (2009, p.25) commends the action of the Ministry of Economic Affairs in the Netherlands which sends a letter to each entrepreneur when he reaches the age of 55 reminding him/her of the importance of planning the transfer.

In contrast to general unconcern with the role of government among research participants, some small or new businesses valued highly information and contacts provided by government agencies, notably, the South Australian Business Enterprise Centres. Rural businesses acknowledged longstanding benefit from government extension services, and in relation to advice-giving the Rural Financial Counselling Service was commended.

It is noteworthy the European Commission offered strong encouragement to governments which gave publicity to counterpart agencies.

The formation of good 'human' skills in those that advise family businesses has been shown to be a matter of chance. It is proposed below that the role of government in the development of more certain pathways to the achievement of competence should {Lambrecht, 2005 #3;Ramsden, 2005 #78;Robson, 2000a #28}Contribution of the research

5.8.1 Contribution to data

The study has added to the (meagre) material on why family business people seek or do not seek external advice on family business issues. It also augments existing data (also meagre – especially in comparison with that relating to SMEs) on the outcomes of seeking it. In the samples studied, there is a high recognition of family business identity, and of the existence of distinctive issues which challenge family businesses.

The study provides evidence as to the preponderance of accountants as sources of professional advice compared with that from other professions, and the nature and quality of the advice (which is capable of attaining distinction).

It discloses substantial dissatisfaction with the performance of some advisers and draws attention to the importance of advisers' skills formation.

It indicates the substantial extent of peer advice, obtained chiefly through networking and provides some limited evidence on benefits gained from it. It discloses disadvantages experienced by those who lack it.

5.8.2 Contribution to theory

Institutional theory: the research validates the diversity of motivations of family business people (as they affect the advice they seek) as discerned by family business theorists that challenge assumptions regarding individual self-interest associated with agency theory. However the research 'rescues' it from pejorative perceptions of inflexible leaders within organisations and path-dependent followers, finding CEOs who are open and consultative, and subordinates who were far from compliant. Examples of those I term 'impervious' entrepreneurs **were** encountered, more frequently anecdotally, but appear to constitute a deviant minority rather than representative of the species *vide* Kets de Vries. This is not to understate the power of this minority to cause jeopardy to subordinates and business. As well as the theory's relevance in the organisational field, ie, within the business, interorganisational influence is also evidenced - in the mimetic power of certain prominent family business people, instanced in Section 5.4 above. However, isomorphism seems not to have occurred in the family business sector, arguably because of a resistance to 'best practice' and a readiness (like Melin & Nordqvist (2007) to embrace diversity and to understand the importance of context, both circumstantially and temporally.

Social capital: much of the research evidence is testament to the beneficial power of networks engaged in by most family business people interviewed. It offered its participants a variety and choice of advice to be followed in accordance with their own circumstances, which exhibit an 'incredibly complex array of attributes'(Dana & Smyrnios 2010), and it allowed them to reciprocate, a feature reducing or eliminating the psychological cost of taking advice (see Section 4.11).

Trust: the study introduces a new concept, namely vicarious trust, not hitherto observed in previous academic studies, but the significance of which, in terms of references, testimonials and words of mouth, appears universally recognised by practitioners both clients and advisers. It also introduces 'bonded' trust, denoting a trust of greater resilience when acquired through references, and 'reciprocal' trust through which the adviser as well as the client can gain confidence in the other party.

These findings should be of interest to researchers, like Welter (2012, p.206), who are still asking, 'what are the triggers of trust formation?'

Knowledge creation and transmission: advisers' training, peer interchange and qualitative researching by interview each provide examples of the versatility of tacit knowledge applications as developed by Nonaka (1994) out of Polanyi (1966) and by Schön (1987, 1991).

Schön's theories on teaching the *art* of consulting were validated in the context of family business advisers by senior, 'mentor' consultants who had autonomously instituted 'shadowing' (the term used by A32) of their juniors.

The research found that Nonaka's 'organizational knowledge' theory was applicable beyond permanent organisations, that is to say, in the circumstance of a loose coming-together of individuals exemplified by the Family Business Forum. This permits a useful extension of the concept of *ba.*

The research affirmed the advantages of knowledgeable interviewing enabling new knowledge to be 'contextually grounded and jointly constructed' (Schwandt 2007), in other words, knowledge constructed through co-operative inquiry (Reason 1998).

Aspects of model development: in drawing threads from the above, I draw atenti0on to the diversity and heterogeneity of family businesses' motivations, circumstances and needs. This tends to demote the value of 'best practice'. By contrast, this diversity of need is accommodated and satisfied in two ways: by employment of advisers who have developed over time Schön's 'diversity of exemplary themes' (1988, p. 68) grounded in a training involving exposure to real cases (shadowing); secondly, by a reliance to an unexpected extent on the advice of peers. This is brought about both through the release or articulation of knowledge, often tacit, through dialogue, as explored by Nonaka *(passim)* and as commended by Jaffe (1998) regarding 'communities of learning', but also by reliance on peers in the selection of professional advisers, emphasising the importance of vicarious trust as formulated in the thesis.

5.8.3 Contribution to practice

The research uncovered a greater propensity among family business people to seek external advice than indicated by initial assumptions. However it distinguished a minority of 'impervious patriarchs' who inhabit a spectrum extending from extreme self-confidence to psychopathy (as seen in Introduction Box 1.1). They are capable of inflicting harm on their junior relatives and on the business. Advisers had developed a variety of approaches in dealing with them. As context and as adviser disposition

ordained, they ranged from patient guiding over time, to sharp admonition, to concentration on assisting the 'victims', to 'avoiding them like mad' (C47).

The majority of accountants qua primary advisers can be relied upon to refer clients to those possessing knowledge and skills outside their core competence. These were frequently lawyers, occasionally tax counsel or 'someone adept at human counselling' (C31). A need for those with psychological training was sometimes recognised in interview. It is noteworthy that such are employed less in Australia than in the United States.

As mentioned above, a number of advisers employed mentoring to help develop the skills of junior members of their staff. This is in line with the approach presented by Schön (1987). Its success was attested to by advisers who themselves had benefited from it in their earlier years of practice as well as by those who were currently employing it to train their junior colleagues.

In the creation and development of trust the attributes of advisers commended through the 'Maister' Trust Equation (in Maister, Green & Galford 2000) was found to accord closely with the expectations and requirements of family business clients.

The role of government did not play a dominant part in the interview discussions nor was it registered as important in the survey. Those few participants, however, who had used the services of the Business Enterprise Centres had gained substantially. Providing information to family businesses and raising awareness of challenges they are likely to encounter, especially those relating to business transfer, are activities not likely to be considered contentious, even by proponents of 'small government' (see Section 2.6). This service has in fact been provided by South Australian BECs and RDBs. Awareness-raising, similarly, is practised by the European Commission and by a high proportion of its member states. It helps mitigate, inter alia, the costs of seeking (basic) advice which represent a deterrent to small family businesses.

The research located strong support for the concept of a Community of Elders (Section 4.11.7). It was followed up by inauguration of a Community under the auspices of the Governor of South Australia.

5.9 Limitations of the research

Limitations have been referred in earlier chapters as they became apparent. The paucity of previous research about the use of and particularly the value gained by family businesses from external advice led to enlistment of past research on SMEs to help fill gaps (Section 2,6). Many family businesses are far from small or medium-sized which bounds the applicability of the past research. However, researchers provide evidence that SMEs benefit from advice particularly about the 'soft' issues,

and those are characteristic of the kinds that challenge family businesses (Lambrecht & Pirnay, 2005; Ramsden & Bennett, 2005; Robson & Bennett, 2000a).

Both the survey and the interviews were conducted among businesses in Australia, mainly in South Australia. Both the characteristics of the businesses and the issues they confront are not inconsistent with those found by previous research into family businesses elsewhere. As noted in Section As indicated in Section 3.7.2, the applicability of the present findings must be judged by those considering applying them in other contexts and locations. It would be of value if their applicability were to be so tested.

Limitations regarding the size and provenance of the survey and interview samples are addressed in section 3.7.2. Survey recipients were identified with the help of agencies in the field with which I had previously worked. Interview candidates were identified by expressing willingness in the survey to be interviewed, but also through use of the extensive network in the family business area I had previously built up. The samples could arguably be described as 'convenience' ones. But the numbers of those successfully surveyed and interviewed has been considered an 'accomplishment'. Unfortunately, there are no statistical means of determining the representativeness of the samples because of the absence of useful official statistics relating to family businesses. This lack is referred to elsewhere in the thesis (Sections 3.4.2, 4.2.1, 5.8): it is a disadvantage under which all researchers in the field must labour.

5.10 Future research

This research has demonstrated that family businesses, irrespective of size and whether harmonious or conflicted, need and can benefit from external advice in assisting them to meet and overcome challenges to which they are subject. In doing so it has highlighted the pervasive nature of peer advice as distinct from that sought and gained from professional advisers. Peer advice made available through **formal** mechanisms has been identified, notably that provided through Family Business Forums, and reported to be generally effective for the very small proportion of family businesses which subscribe to them. Research would be profitable into how the reach of formal networks might be extended and the agencies best suited to accomplish it. In this regard it is noteworthy that CPA Australia with over 100,000 members and having an interest in their clients' wellbeing would, according to A49, a senior representative of the organisation, be receptive to requests to carry out research into its ability to sponsor and promote a networking scheme. With a co-author who is vice president of the South Australian chapter of CPA Australia I am preparing a guide to advising family businesses by accountants. It will *inter alia* commend the creation and development of forums by CPA members.

Advice received through networks can overcome the deterrents of cost, both financial and psychological. The research has indicated that family business people are active in networks of many **informal** kinds. It was not possible within the bounds of the present study to investigate the characteristics of the networks which yield greater or lesser benefit to participants in encountering and overcoming family business challenges. Within this diverse field there is scope for further research. The work of Dean, Holmes & Smith (1997), in the context described in Section 2.10.2, could provide a useful theoretical base. This research should be pursued.

Research would also be welcome into the extent to which peer advice can constitute a substitute or alternative for professional, as speculated in Jaffe (1998), or as seen by CEO C15, as , being 'experiential' and as such complementary to the 'structured' advice provided by professionals. The value of professional advice to family businesses has not been extensively researched, as this thesis has indicated. The value of peer advice to family businesses is unexplored territory. Its very study would elicit benefits which could well result in the extension of its perceived appropriateness *vis-à-vis* professional advice.

Misgivings were expressed by family business clients and by certain advisers about the quality of advice offered by some advisers, and about their competence. They reflect upon the possession or absence of the softer as distinct from the technical skills, as well as what Schön (1987, 1991) terms the *art* of consulting. Some advisers have adopted a mentoring (shadowing) approach towards their juniors which appears to conduce to success. This approach, however, is offered fortuitously, not systematically - and is not directly available to sole practitioners. Members of CPA (Australia) with responsibilities for PD should support investigation into whether and how an obligatory mentoring (or shadowing) requirement for members aspiring to public practice could be introduced.

The Australian accountancy institutions believe that the softer skills, cognate with emotional intelligence can be inculcated during higher education (ICAA & CPA 2009). Indeed, CPA Australia and the Institute of Chartered Accountants in Australia require higher education programs which seek their accreditation to address 'generic skills', including the interpersonal such as 'the ability to listen effectively', and that they should be incorporated in courses' 'core curriculum' (ICAA & CPA 2009). In requiring this they recognise that interpersonal attributes, including 'demonstrating empathy', are 'highly desired' and need to be 'reinforced and developed during accounting education' (Jones & Abraham 2009, p.49).

This does not happen. Of 27 specialised accountancy schools in Australian universities, none refer to the inclusion of these generic skills in their course descriptions (Australian Education Network, 2012). And recent researchers of relevant literature were 'unable to uncover any examples of 'listening' being

explicitly integrated into the curricula design of accountancy programs or subjects' (Stone, Lightbody & Whait 2012, p.9).

The American situation appears to be no different. According to Grubman & Jaffe (2009) there is no curriculum available in an American university on client relationship skills. The deficiency has been recognised for many years. But there has been no progress in closing the gap between what the professions expect of universities and what the universities are delivering. The problem is one of congestion in curricula through an increasing technical content. The number of technical topics and the depth with which they must be covered is increasing. A commentator has said it is impractical to 'substantially remedy the communications skills deficit and develop students' technical skills in an undergraduate accountancy program' (Henderson, 2001). The problem is aggravated by increased use of distance learning limiting further the students' opportunities for physical interaction. Faced with a problem Henderson claims to be insoluble, those students that do study on campus should be strongly encouraged to engage in non-classroom activities, clubs and the like.

The foregoing indicates that the professional bodies, including CPA, should no longer harbour unrealistic assumptions about the contribution accredited universities are making in developing students' oral communication and especially listening skills. Further work is needed in two areas. The first entails examination of how university accounting schools *could* find room in their syllabuses for inculcation of the 'generic skills'' The second entails examination of how the institutes themselves could assume a greater obligation to provide for these skills.

In relation to the first, it is suggested that the institutions engage with, say, one accountancy school and sponsor the development of a model for such instruction for subsequent adoption by the university – and others. Preliminary work on such a model has already been done by Stone, Lightbody & Whait (2012).

As to the second, it may be remarked that accountancy students with work experience score higher in EI tests than those who have not (Grubman & Jaffe, 2009). The accountancy institutions have more opportunities to provide work experience than the universities.

CPA's public practice program for professional development, while including modules on building and running a practice and developing a people (employee) strategy, does not currently offer a module in client relationships, which would include developing needed oral and listening skills. Research should be sponsored by CPA Australia with a view to formulating its detailed content. The matter will be commended to CPA in this author's manual on advising family businesses referred to in Section5.2 above. However necessary such stratagems may be for accountants,

they could with advantage be extended, as Stepek (2011) recommends, to members of other professions who aspire to family business advising.

A related question concerns the contributions of psychologists in the family business advising team. They are observed to be less frequently represented among Australian advisers than among those in North America where to be advised to consult a psychologist, it is contended, does not prompt the same recoil. The benefits of advice as provided by psychologists in the USA and the case for promotion of a like service in Australia would repay study.

A considerable body of work has emerged which explores client-consultant relationships (Sturdy 1997; Fincham 1999; Hislop 2002). It has affinity to the study of social capital. It traces the shifting power relationships over time between the parties (dependent client and indispensable consultant, or alternatively the resistant client and vulnerable consultant (Fincham 1999)) and offers interesting insights into how consultants can become 'embodied' into the clients' organisations and hence exercise a dominant influence. Unfortunately it appears to be confined to the study of relationships between staff in corporations and their would-be advisers. It has not been extended to study of relationships between advisers and business owners. To do so could offer rewards in understanding the genesis and conduct of family business assignments. It would augment the prescriptions of Maister, Green and Galford (2000) regarding advisers' development of trust.

This thesis has drawn out the important place references and testimonials occupy in the decision of family business people to engage advisers. It has coined the term vicarious trust to describe the attribute relied upon in making such decisions. References are given or received informally, spontaneously. Given their importance, institutions which qualify family business advisers, whether through institute senior membership or family business 'accreditation', should investigate the merit of requiring as mandatory clients' detailed reports on the conduct of the projects they have undertaken.

Further work is called for in the matter of family business statistics. It is a serious limitation of this research that the data produced by the survey may be unrepresentative of the family business population (in South Australia). Worse, there is no means of knowing how unrepresentative it is (unless by comparing it with the product of other surveys the degree of unrepresentativeness of which is also unknown). A patent problem is that of differing family business definitions to which, for example, Mandl (2008) and the European Commission (2009), have drawn emphatic attention (a total of 90 definitions were observed among the 33 countries under study). A consistent definition for the production of *national* statistics, however, should be less intractable. Definition is not the sole, issue, however. Family business suffers from what Mandl has termed the 'intransparency' of the sector, ie,

not being regarded in the public (and government) mind as a distinctive category. Even these lacunae may be insufficient to account for the ineffectiveness of representations in Australia, including those by governments, in bringing into being the statistical data sought from the Australian Bureau of Statistics. Practical difficulties of collection are an insufficient explanation as is demonstrated, for instance, by the publications on family business by the Central Statistics Office of Ireland (2008, 2009). A researcher who undertook to explore the matter further would need therefore to be endowed not only with proficiency in statistics but also human and organisational psychology.

Finally, another matter involving government merits attention. This research has drawn out the benefits that newer and smaller family businesses have gained from the Business Enterprise Centres and Regional Development Boards. At the time this thesis was in preparation the South Australian government was withdrawing support from these agencies, those surviving relying on local and federal government funding. It is to be questioned whether further research is needed to demonstrate the value of these agencies; needed rather is a willingness by government to be influenced by the evidence already assembled.

5.11 In conclusion

The research indicates that family businesses, representing the most prolific business entity, can benefit from external advice regardless of their size, generation or sector when meeting family business challenges. The need for external advice is intense when businesses are most vulnerable, ie at succession, the incidence of which will rise as the numbers of owners or CEOs retiring increase.

I return to the questions first posed in Section 1.4:

- What are the factors that drive and impede the uptake of external advice by family businesses?
- How can advice become more accessible and appear more relevant?
- What public policy implications arise?

In answer, I find the seeking and taking of external advice is more widespread than indicated by suppositions prompting the research. This is largely because the extent of peer advice was insufficiently appreciated. Nonetheless, the cost of professional advice, real or perceived, and unawareness of where it is to be found represent important deterrents to engagement with it. To make external advice more accessible requires a more widespread understanding of sources available, including those that offer benefit at little or no cost. The BECs and RDBs and rural extension services, offering a first port of call for seekers of advice, are key providers in this regard. Peer networks are another resource, and they are widely used. Formal networks such as FBA Forums and TEC groups are found to be effective, sometimes extremely so, but

are used by a small minority of family businesses. Many businesses derive benefit from informal networks but more needs to be known about the nature and prevalence of those that are most effective in providing for the need.

Professional advice can appear more relevant if it reflects the actual competence of those that aspire to deliver it. In many recorded instances this falls short, notably because of shortcomings in deliverers' training or disposition (although high capability is to be found, not least among accountants). While technical training is adequately provided, that for human skills is not – neither sufficiently nor systematically.

The implications for public policy are that existing agencies do provide a useful service, especially to smaller and newer businesses. There was, however, little call by informants for more active or additional government involvement. The absence of useful family business statistics has been and remains a serious deficiency in researching and in understanding the sector.

Understanding of the foregoing empirical findings has been deepened by exploration of the theories referred to in Section 5.9.2. Correspondingly, some development or modification of the theories is proposed. The concept of trust as a slow-maturing commodity has been augmented by the notion of vicarious trust, trust matured elsewhere which can be implanted without delay. Insofar as the psychological traits of entrepreneurs as portrayed by Kets de Vries are validated by the research, it suggests that their occurrence is aberrant rather than general. In the provision of advice, theories relating to the creation and transmission of tacit knowledge are offered reinforcement. They overshadow ideas about the power of explicit 'best practice': context is seen to be more relevant than precept. Institutional theories are consonant with the diversity and emotional content of family business motivations as found in this research (in contrast to theories which assume concern only with economic self-interest), but they pay insufficient regard to the rationality and the autonomy with which the decisions of participants in this research are made.

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APPENDIX A: EMAIL SURVEY OF FAMILY BUSINESS CEOS

The questionnaire below was emailed to businesses on the databases of South Australian Business Enterprise Centres and Regional Development Boards and of the South Australian chapter of Family Business Australia. Since the databases were confidential to the organisation that possessed them, the emails were despatched directly by the managers concerned. The survey allowed respondents on completion simply to press 'submit', which automatically despatched it direct to me.



QUESTIONNAIRE FOR FAMILY BUSINESSES ON USE OF EXTERNAL ADVISERS

Preamble: security, anonymity

1. What is your title, eg, managing director

1.

2. Are you (check one response)

1. *The owner of the business?*
2. *One of the owners of the business?*
3. *Not an owner in the business?*

3. Do you recognise your company as a family business? (check one response)

1. *Yes*
2. *PLEASE SKIP TO QUESTION 5*
3. *No*
4. *PLEASE GO TO NEXT QUESTION*

4. Are other members of your family employed in the business? (check one response)

1. *Yes*
2. *PLEASE SKIP TO QUESTION 17*
3. *No*

4. *PLEASE SKIP TO QUESTION 18*

5. What characteristics make your business a family business?

1. *(check one or more responses)*
2. ☐ *Ownership of the business by members of one or more families*
3. ☐ *Control of the business's governing body by one or more families*
4. ☐ *Family members occupy management positions in the business*
5. *Other characteristics (please specify)*
6. [ ]

6. Do you intend to pass on the business to family successors?

1. ○ *Yes*
2. ○ *No*

7. Company characteristics

1. *Which generation(s) of the family/ies is/are currently involved in the business (select one or more)*
2. ☐ *1st*
3. ☐ *2nd*
4. ☐ *3rd*
5. ☐ *4th or older*

1. *Into which band does the turnover of your business fall? (optional question) (check one response)*
2. ○ *Under $5m*
3. ○ *$5m to $10m*
4. ○ *More than $10m, less than $50m*
5. ○ *More than $50m*

1. *How many full time equivalent employees have you? (check one response)*
2. ○ *Nil*
3. ○ *1 to 4*
4. ○ *5-19*
5. ○ *20-99*
6. ○ *100-199*
7. ○ *200 or more*

1. *In which sector of business does your business belong, eg, manufacturing, construction, retail?*
2. [ ]

8. Are you aware of 'family business' type issues arising in the business?

1. *(check one or more responses)*
2. *Examples of family business issues:*
3. ☐ *Need to plan for succession*
4. ☐ *Conflict between family members affecting the business*
5. ☐ *Mismatch between family and business goals*
6. ☐ *Reconciling shareholders' demand for liquidity and the needs of the business for investment*
7. ☐ *Need to finance ownership without relinquishing control*
8. ☐ *Recruitment and reward of family members in the business*
9. ☐ *Governance: company board, family business council*
10. *Other, please specify...*
11. ☐
12. ☐ *None that I am aware of in my business'*
13. *IF 'NONE', PLEASE SKIP TO QUESTION 16*

9. Have you sought advice on 'family business' type issues from any of the following?

1. *(check one or more responses)*
2. *Examples of sources of advice/guidance:*
3. ☐ *Accountant*
4. ☐ *Solicitor*
5. ☐ *Family business adviser*
6. ☐ *Bank*
7. ☐ *Customer/supplier*
8. ☐ *Non-family manager in the company*
9. ☐ *Business 'peer' (owner/manager of another business)*
10. ☐ *Family member not in the business*
11. ☐ *Friend*
12. ☐ *Family Business Australia*
13. ☐ *Other business association*
14. ☐ *Business Enterprise Centre or Regional Development Board*
15. ☐ *Other*
16. ☐ *None*
17. *IF NONE PLEASE SKIP TO QUESTION 12*

10. What were the reasons for your choice(s) of sources of advice?

1. *(check one or more responses)*
2. ☐ *Have known them a long time*
3. ☐ *They are trustworthy*
4. ☐ *Recommended by a colleague in the business*

5. ☐ *Recommended by a relative*
6. ☐ *Recommended by a business associate*
7. ☐ *Recommended by another adviser*
8. ☐ *Recommended by Family Business Australia*
9. ☐ *Recommended by another business association*
10. ☐ *Recommended by Business Enterprise Centre ore Regional Development Board*
11. *Other reasons for your choice of source of advice*
12. ☐

11. If 'family business' advice was sought from an accountant, has the accountant previously assisted

1. *With 'compliance' matters?*
2. ○ *Yes*
3. ○ *No*

1. *With management matters?*
2. ○ *Yes*
3. ○ *No*

1. *General business advice?*
2. ○ *Yes*
3. ○ *No*

12. If you have not sought external advice about family business issues, what deterred you?

1. *(please check against any responses that represent your position)*
2. ☐ *Unaware of relevant advice*
3. ☐ *Professional advice is too costly*
4. ☐ *These matters are of too private a nature*
5. ☐ *I like to keep my own counsel*
6. ☐ *They would not understand our business*
7. ☐ *We do things our own way*
8. *Other reasons (please specify)*
9. ☐
10. *What, if anything, might prompt you to seek external advice?*
11. ☐
12. *PLEASE SKIP TO QUESTION 16*

13. Value of external advice received: I believe the advice received was valuable

1. *(please check appropriate response)*
2. *Strongly agree*
3. *Agree*
4. *Neither agree nor disagree*
5. *Disagree*
6. *Strongly disagree*

14. If you have agreed or strongly agreed that the advice was valuable, did you adopt it?

1. *Totally*
2. *In part*
3. *Not at all*

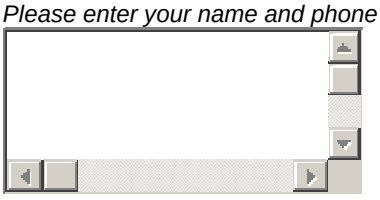
15. To the extent you did not adopt the advice, what were the reasons?

1. 

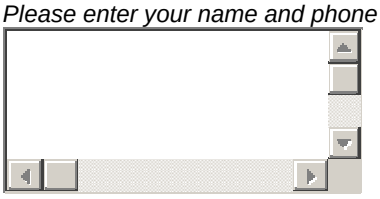
16. Do you have any advice for other family business people on dealing with family business issues?

1. 

17. If you would consider agreeing to a confidential interview on this topic, please supply contact details below?

1. *Please enter your name and phone number and/or email address*
2. 

18. Would you like feedback from this survey? If yes, please supply contact details below

1. *(if not supplied in question 17)*
2. *Please enter your name and phone number and/or email address*
3. 

THIS CONCLUDES THE SURVEY. THANK YOU VERY MUCH FOR RESPONDING. PLEASE PRESS SUBMIT

APPENDIX B: VARIABLES CONTAINED IN SPSS DATA ANALYSIS

Case number

Job title of respondent, eg, CEO

Ownership of the business

Recognition as a family business

Other family members employed

Ownership of business by 1 or more f

Control of the business governing body

Family having management positions

Other business characteristics

Intent to pass on business

Oldest generation involved in the business

1st gen involved in the business

2nd gen involved in the business

3nd gen involved in the business

4nd gen involved in the business

Business turnover

Number of employees

Business sector operated in

Respondent awareness of family business issues (number of issues)

Aware of succession issue

Aware of conflict issue

Aware of mismatch between business and family needs

Aware of need to reconcile shareholders/business needs

Aware of need to finance ownership keeping control

Aware of need re recruitment

Aware of governance needs

Aware of other issues

Not aware of issues

Type of adviser cited

Accountant advice sought

Solicitor advice sought

Family business adviser advice sought

Banker advice sought

Customer/supplier advice sought

Non family business manager advice sought

Peer advice sought

Family member not in the business advice sought

Friend advice sought

FBA advice sought

Other business association advice sought

BEC/RDB advice sought

Other advice sought

No advice sought

Reasons for choice of adviser

- known a long time
- trustworthy
- recommended by colleague

- recommended by relative
- recommended by business associate
- recommended by another adviser
- recommended by FBA
- recommended by another business association
- recommended by BEC/RDB
- other reasons

Accountant assisted with compliance

Accountant assisted with management

Accountant assisted with general business

Deterrents from seeking advice

- unaware of sources of advice
- advice too costly
- matters too private
- prefer to keep own counsel
- adviser wouldn't understand
- prefer doing things our own way
- deterred for other reasons

Value of advice received

Whether valuable advice adopted

Reasons for not adopting advice

Whether respondent had advice to offer

Respondent prepared to be interviewed

Survey feedback requested

APPENDIX C: INTERVIEWERS' GUIDANCE NOTES FOR INTERVIEWS WITH FAMILY BUSINESS CHIEF EXECUTIVES

This note was prepared for discussion with supervisors and subsequently adopted for use by myself and my research assistant as a guide to interviewing. It was not circulated to interviewees; instead they were referred to the emailed survey of chief executives (see Appendix A).

The research issues

Exploration of:

- the factors that drive and impede the uptake of external advice by family businesses
- how advice can become more accessible and appear more relevant
- public policy implications.

Philosophical standpoint

There is an objective reality but we have imperfect and historically and socially conditioned means of divining it. We get closer to truth insofar as the opinions of those from whom we seek it converge.

Interview method

By semi–structured interview: it is appropriate

- 'where the researcher knows enough about the study topic to frame the needed discussion in advance of interviewing, but not enough to be able to anticipate the answers' (Morse & Richards, 2002)
- where the role of the researcher is recognised: 'we all have stories and it seems a fundamental part of social interaction to "tell our tales" helping the researchers to begin to draw on their own experiences' (Roberts, 2002).

Theory

I regard those whom I interview as fellow researchers. They are closer to the subject material than I am. The compilation of the FB body of knowledge has been inspired by practitioners wanting to do their job better and being willing to share their experiences. Therefore I expect the major insights (contributions to theory) to be gained inductively from those whom I interview.

Nonetheless, certain prior theories seem to have a useful bearing on the issues to be explored and the interviews should assist in establishing their serviceability in

illuminating them. The ones I have located (so far) are institutional theory, theories surrounding social capital and related theories on trust. Writings on the psychology of entrepreneurs, notably by Manfred Kets de Vries and Nigel Nicholson also seem helpful. There is also material of an empirical nature by practitioners like Aronoff & Ward.

I would take with me into the interview a number of concepts, assertions, the value of which I wish to test. But I would also be prepared to be educated, surprised by fresh insight, unexpected perspective. The concepts, assertions are indicated by the following cues:

1. **Style, behaviour: 'impermeable'? preoccupied with day-to-day?**

- entrepreneurs' (alleged) instinctive, intuitive, insular, non-rational, self-sufficient traits
- preoccupations, exigencies of managing day-to-day, postponing attention to the issues
- mortality?
- the behaviour of the organisations they lead: compliant, habitual, unreflective, resistant to change, reluctant to depart from the founder's vision
- a purported incompatibility between owner-managers' 'experiential modes of learning' and professional advisers' use of 'formal rational analysis'

2. **Influence(r)s, present, potential**

- networks to which the CEO belongs: formal – FBA (forums), BEC; informal, social, deriving from the family
- internal advisers: fellow managers; the 'trust catalyst'
- family members outside the business
- professional advisers
- whose views are respected? with whom FB issues are/could be raised
- Jaffe 'learning communities'
- significance of trust

3. **Attitudes towards consultants/advisers**

- cost (recognising the greater suitability of 'process' consulting, versus 'expert' but its greater cost)

- ‘incompatibilities’: intuitive decision-making, informal, experiential modes of learning *versus* formal rational analysis
- unawareness; uniqueness; privacy

Conduct of the interview

I would use the email questionnaire as interview guide and prompt. Wording and sequence could be varied, and it could be augmented by the admission of material not explicitly covered by the questionnaire but which the interviewee sees as germane in the context of the research questions.

- Remind interviewee of the aims of the research
- Recall the conditions: anonymity, security, voluntary nature, consent to recording, freedom to request termination of interview or its recording at any time
- Propose that Questionnaire is used as prompt
- Q 1-7 (descriptive data of interviewee and organisation) should be verified: their main purpose is to assist with any typology that can be constructed
- Q8 (awareness of family business issues arising): use to explore whether FB issues are present, are recognised as such;
- Q9 (on from whom any advice has been sought): explore what are the motivations, triggers, inhibitors, knowledge gaps in seeking advice; is their evidence of ‘taken-for-granted’ justifications for action or inaction? explore how advice might be framed and promoted better and made to be seen as more relevant
    - if ‘accountant’ advice has been sought, refer to Q11 (on its nature) sought
    - if ‘business peer’, ‘family member not in the business’, ‘friend’: explore nature of relationships, the influence, persuasiveness such people possess: an opportunity to explicate networks
    - if FBA, request details of their involvement, what they have gained, how much they value its services, how they might be improved
    - if BEC or RDB request details of their involvement, what they have gained, how much they value its services, how they might be improved; invite more general views on government services, current and desirable

- Q10 (on reasons for seeking advice): take opportunity to explore subjects of trust, acquaintanceship, receptiveness
- Q11: explore nature of services previously, presently provided by accountant: compliance, management, general business; do they render advice from other sources unnecessary? Do they behave as 'gatekeepers'? how well qualified are they to assist with the 'softer' FB issues?
- Q12 (reasons for not seeking advice): take opportunity to note matters of style, behaviour; sensitivity to needs or wishes of other family business members
- Q13 (on value of advice received): discuss nature and value of advice; introduce idea process *v* expert advice…
- Q14 …and the outcomes…
- Q15…and lack of outcomes
- Q16 (seeking interview participants' advice about dealing with family business issues): treat as invitation for interviewee to expand, digress, instruct! If appropriate seek reaction to the Jaffe idea of a 'community of elders' and, again if appropriate, whether they might consider joining such a community
- Seek permission to interview another member of the family business (a 'trust catalyst' if one has been identified), refer to the (?pedantic) needs of academic research to 'triangulate', gain '360° vision'.
- Request interviewee to review what has been recorded and understood in due course.
- Ask if a second session might be possible if further questions occur – to interviewer or interviewee.

APPENDIX D: GUIDE TO INTERVIEWS WITH FAMILY BUSINESS ADVISERS.

The following questions were prepared, after advice from my supervisors, in order to normalise the approach of myself and of my research assistant who undertook separate interviews of three advisers. While acting as an aide memoire in interviewing advisers, discussions were to an extent free ranging, their focus and coverage being influenced by the individual interview participants.

1. How did you become a FB adviser? What kinds of experience and training led you to this 'calling'?

2. After scrutiny of responses to my questionnaire on family business issues recognised by FB people, which areas would you feel competent to advise on? In which areas have you actually advised on? Which issues would you find most difficult to advise on? On which issues might you recommend use of more specialised advice? Are there areas where you have declined to offer advice? How much need, if any, would you see for the engagement of the psychologist in FB advising?

3. Recognising a distinction between **process** and **expert** advising, could you describe situations where one or the other was appropriate? Which do you use more frequently?

4. My questionnaire respondents say something about why they have **resisted** seeking FB advice, whether from advisers, peers or other family members. What can you say about
    a. engaging the 'impermeable' (defined) CEO, or how seekers of advice in the business might be empowered
    b. cost, particularly to the smaller business
    c. incompatibilities between adviser ('formal rational analysis') and entrepreneur (motivation for independence, intuitive decision-making; informal, experiential modes of learning)
    d. the CEOs' not knowing what their problem is, or what kind of help they need, or difficulty in distinguishing FB issues from pure business issues
    e. lack of knowledge about where to seek advice and its potential benefits?
    f. other discouragements: privacy, preoccupation with day-to-day, mortality…?

5. My questionnaire respondents say something about why they have **engaged** advice. What would you say about the importance of
    a. trust and how it is gained: how do you go about earning, developing and maintaining trust?
    b. testimonials, accreditation

c. advisers' personal qualities

and what stratagems you have found to be the most successful?

6. Can you give examples of where tangible **benefits** resulted from your advice on FB issues and how and why that was achieved; similarly, examples of where you had to struggle as an adviser, and the reasons for that?

7. How would you view the role of the business's primary adviser (usually the accountant), thinking particularly of their ability and their inclination to recommend or to deter use of more specialist advice?

8. How, broadly, do you think the use of advisers could be made more **accessible** to FBs?

9. What would you commend in relation to the training and knowledge that is available to FB advisers, and what might still be needed? Can you describe how you develop your expertise? Could you instance any personal needs?

10. Are there **other questions** that would help to elicit useful answers with my thesis topic in mind?

APPENDIX E: INFORMATION SHEET AND CONSENT FORM

These documents were circulated to all intended interviewees to inform them about the nature of the research and to gain consent to participation in the research and to the recording of interviews.



University of South Australia
School of Management

'Family Business Engagement.'

Alan Reddrop.
Phone: 8302 0305

Thank you for your interest in this project.

I wish to explore how, why and when family business people seek advice from external advisers in relation to family business issues and what possible benefits they gain from it. By family business issues I mean, for example, succession, business exit, conflict between family members or the need to harmonise business goals with family objectives.

The issue concerned me while I was family business adviser employed by the South Australian government. I now have the opportunity to pursue it in more depth as a candidate for a PhD at the University of South Australia.

I should be grateful for an opportunity for me or my research associate, Paul Mabarrack, to interview you for about an hour's duration at your premises. With your permission I should like the discussions to be audiotaped.

The findings of the study will be communicated, as is normal, through academic publications, but will also be the subject of presentations to family business people and advisers and government officials with responsibilities for policies affecting family businesses.

Your name will not be known to anyone except me, to Paul and to my principal supervisor, Dr Gido Mapunda. Also all findings will be aggregated and no details of individual's responses will be identifiable in any report. All information collected as part of the study will be retained for five years. Electronic material will be stored on a password-protected university computer and written materials will be stored in the university office or other secure place provided by the School of Management. The name of the executive officer of the university ethics committee is Vicki Allen (8302 3118). She will be available to discuss any ethical concerns about the project.

You will be sent a copy of a summarised version of my thesis on completion.

Your participation in this study would be greatly appreciated. It is, of course, entirely voluntary. You may choose to withdraw from the study at any time.

If you have any questions about the study please call me on 8302 0305 or by email: alan.reddrop@postgrads.unisa.edu.au

Alan Reddrop
PhD scholar
School of Management
University of South Australia

CONSENT FORM

Consent to participate in the 'family business engagement' study

I,……have been provided with an outline of the nature and objectives of the above study and I agree to participate in an interview with Alan Reddrop or Paul Mabarrack. I understand the findings of the study will be aggregated and that no individual's details will be identifiable.

Signed……Date……

I agree to allow my interview with Alan Reddrop or Paul Mabarrack to be recorded, with the understanding that I may ask for the recorder to be turned off at any time.

Signed……Date……

Alan Reddrop
PhD scholar
School of Management
University of South Australia