

Family Business Institute Network Meeting

18 September 2017

FBI Centre
390 St Kilda Road, Melbourne

Family Business Australia Conference 2017 @ Hamilton Island

Personal Takeaways by Jon Kenfield, FBI Founder

Presentation to FBI Network Meeting, September 2017

1. **Adviser Masterclass (for Advisers)** - *Dr Thomas Schwartz*

Survey - Worldwide Levels of Trust

The Edelman Trust Barometer has been running for 17 years, across 28 countries, and 33,000 participants. This year's survey paints a disturbing picture of a world that is rapidly losing confidence in leaders, institutions and large corporations. There's a marked difference between advanced Western economies (relatively high trust) and Eastern Europe and most of Asia and Africa, which have very low levels of trust.

Results suggest that high levels of tension throughout much of the world could develop into something more ominous.

The survey also looked at where people place personal trust and concluded that the elevated and protected status of the traditional subject matter expert (professional adviser) is under enormous threat since many more people than before are now as likely to trust their peers and/or Dr Google, as they are an external expert.

In a trusted adviser environment, there's a clear distinction growing between technical (content) advisers, such as accountants, lawyers and financial planners, and human skills consultants, such as business coaches, counsellors and psychologists.

Traditional technical roles can be contrasted with modern lead adviser roles – which take a more holistic, collaborative approach towards addressing client needs. Lead advisers may, or may not practice in areas of specific technical competence, since their main motivation is to deliver an excellent process, resulting in successful outcomes for the client, whatever their real needs may be.

Survey - Succession Planning

1. The overwhelming reason most (78%) business proprietors neglect to plan for their succession is because *they actually like running their businesses*, and don't actively welcome thinking about alternatives. This reinforces the idea that, as an adviser, unless you can help an owner *to want to move* to another "rock" at the right time, they'll struggle to let go.
2. Advisers need to be very aware of their clients' desire to: (a) minimise adverse tax consequences and (b) maximise the value of their business on sale. Most business owners are more concerned about these things than about keeping staff and family happy during and after the succession process.
3. Business owners want to ensure that their business continues to operate, that their staff continue to be employed and are looked after, and that their loyal customers are well looked after, after the sale, BUT this is less important than getting a good price for the business.
4. Business owners also want to retain the family's (ie: their own) values within the business, post succession.

Trusted advisers need to be able to demonstrate the following characteristics:

- Trustworthiness
- Honesty, integrity and professional objectivity
- Common sense and practicality
- Credible and comprehensive performance history
- Courage and patience
- Emotional intelligence
- Awareness and empathy
- Humility, long-term loyalty and client-centricity
- Great communication skills, plus the willingness to use them.

2. Alternative Masterclass For Family Businesses - *Corporate Rebels*

Regrettably, I missed this session because I was in the adviser masterclass, however I had the great good fortune to sit next to both of the presenters at lunchtime so I picked their brains, a bit!

Their essential premise is that many businesses have failed to move with the times and have a culture and workplace environment that belongs back in the middle of the last century, when command and control, plus fears for job security, were enough to keep most workplaces, more or less, in order.

The new reality is that we now have better informed, better educated and far more mobile individuals working in and across organisations. In general, they stay only for as long as they can be gainfully employed AND feel that they're meaningfully engaged in worthwhile work.

When an organisation invests in employee engagement, they improve productivity and profitability, while reducing absenteeism, accidents and levels of defective works. The formula for achieving this is as follows (per my interpretation of their slides):

- Establish clear purpose and values.
- Have a network of teams rather than one big “thing” (undifferentiated workforce).
- Encourage Supportive Leadership rather than (old style) Heroic Leadership.
- Experiment, adapt and evolve. Be innovative and courageous in all aspects of business thinking and operations.
- Provide freedom to your employees and develop high levels of trust throughout the organisation.
- Distribute *authority* widely amongst all employees (and integrate thoughtfully with *responsibility* and *accountability*).
- Implement radically greater levels of transparency about corporate goals, performance and results than you'd ever thought appropriate.
- Develop your employees' individual talents to produce real “masters of their arts” throughout your organisation.

3. Keynote Address: Family Business as Science - Dr. Tom Schwartz

I'm not entirely clear what this session was about. It sought to address 10 key areas of interest to family businesses. I couldn't see how they were linked together in a coherent way and for anybody reasonably familiar with the family business space, they didn't introduce anything new.

4. Steering Family Businesses to Future Prosperity - Mr. Bernard Salt

I enjoyed this session enormously, as I always do when Bernard talks. His central theme was that Australia has grown lazy and complacent as a result of far too much easy prosperity, and relative security, for the past 20+ years.

He described Australia as a comparatively conservative country - evidenced by the fact that half of America's top 10 companies didn't exist 30 years ago, where more than half of Australia's top 10 companies are banks that have been around for over 100 years.

He drew a harsh comparison between Australia and the USA, noting that America has a much stronger “can do” attitude, where good ideas are actively supported (morally,

politically, socially and financially) and stand far better chance of getting up and being successful than they would in a conservative country like Australia. He sees an enormous risk that Australia will be left behind if we continue to fail to celebrate and support entrepreneurship and innovation as well as they do in many other countries.

Enormous advances in medical science and nutrition have created extraordinary changes in population demographics:

- In 1937 an individual would be classified as “old” once they were in their 50s. They’d only expect to live to their mid-60s.
- In 1977, “old” began in one’s 60s and life ended somewhere in the early 70s.
- In 2017, many people in their mid 50s to 60s, are putting more effort into enjoying life before retiring somewhere between their mid 60s to mid 70s. They are now officially “old” in their mid-70s, and may die in their early 80s.

Inevitably, this is creating an explosion in health and lifestyle services, and recommends smart investment in areas that work well for older people. The number of people involved in this new paradigm is huge.

5. Parallel Sessions – Various Presenters

There were four parallel sessions, in two streams: (a) family businesses telling their stories, and (b) advisers sharing their secrets. I'm afraid I didn't capture any interesting takeaways in the sessions I attended.

6. Washing Away the Wealth - Mr. Brad Scott

Brad operates a business called EWM, which provides family office services to wealthy families. Unlike many traditional family offices, EWM offers a detailed methodology, and dedicated resources, that seriously attempt to address their clients’ human issues and challenges, as well as their wealth management needs.

Brad recited some well-known statistics about the ages of business and wealth owners, and the colossal transfer of wealth happening in Australia (and around the world) as a result of baby boomer retirements and business / wealth transitions.

Brad noted that the family business sector accounts for over 50% of Australian GDP and national employment, and that its value is substantially larger than the entire Australian Stock Exchange. Notwithstanding these facts, the sector remains woefully unprepared for responsible transitions, which means that a lot of this wealth will be lost or otherwise dissipated, with the associated loss of businesses and jobs.

EWM helps wealthy business families to develop plans for the future so their wealth is transitioned successfully – meaning that next generation inheritors will manage it wisely, as stewards - to create better lives for themselves and their own future generations.

Brad suggested we should take a broader perspective to the actual meaning of “wealth”. He calls this “Legacy”, being: traditional assets + family / human assets (spiritual, intellectual and social capital; family reputation and social standing; family unity; values, work ethic and community orientation).

His approach was very familiar to experienced family business advisers who do more than just provide technical advice:

- Build trust with your clients and guide them through a process of developing agreed plans.
- Engineer frequent, intimate conversations across generations to deal with everybody's hopes, aspirations and concerns.
- Get everybody engaged in developing a plan for the future.
- Facilitate the implementation of the plan.

7. FBA Adviser Accreditation



Greg Griffiths, FBA's new CEO, introduced the new adviser accreditation program. In summary, all teaching has been outsourced to the University of South Australia, and all learning will be delivered via online platforms.

There will be three levels of accreditation:

- Bronze - technical advisers who work with family businesses.
- Silver - technical advisors who know enough about family business dynamics and the specific requirements of the sector to be able to integrate their technical advice with specialised family business advice.
- Gold - knowledgeable and experienced family business advisers who can handle the most complex family business assignments.

*Comment: while this model should be able to deliver greater access to family business **knowledge**, it remains unclear what **skills** training can be delivered through an online platform.*

Business family challenges are complicated, so advisers need a sophisticated combination of knowledge, experience and skills to be really effective when helping their clients. For many advisers, this is their main point of difference from other technical experts..

Family Business Institute's training and accreditation program does not compete directly with the new FBA program, since FBA offers 100% online learning, where FBI offers 100% face to face experiential learning.

We've invited FBA to consider offering a Platinum level of accreditation, through FBI, for advisers who want to further develop their family business advisory skills. Watch this space!