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What do family firms think of advisory services? Some guidelines to help succession process in small family firms

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Abstract

Purpose/topic of research

Italian economic system is characterized by a high presence of family-controlled businesses. According to Istat, around 95% (almost 4,5 millions) of Italian manufacturing and service firms are family-controlled ones and employ less than 10 employees (Istat, 2008, 2009).

Moreover, in Italy, around 42% of entrepreneurs are older than 50 years, and around 7.5% are older than 70 years. It is estimated that in this period in Italy there are around 50,000 successions annually (European Commission, 2006).

Succession is the main factor in the crisis and discontinuity in family businesses (Boldizzoni et al., 2000) and management of succession is one of the main topics in family business literature. According to the literature (Edwin et al., 1999; Malinen, 2004;) important issues regarding family business and succession can be divided into “soft” and “hard” issues. Soft issues relate to individual emotions, personal feelings, relations and communication between family members. Hard issues relate to technical problems or solutions concerning inheritance matters, financing, taxation, legal aspects, and the details of executing the ownership transfer. Managing hard issues is important but they are usually not the problem. Soft issues are usually the most delicate area and the key to successful succession. Focusing on soft issues is important in order to avoid conflicts between family members, support communication process, and create the right conditions for survival of family business across generations.

The main actors of succession process are the incumbent and the successor, and attention of family business literature has mainly been focused on them. Little attention has been devoted to the analysis of the other actors who can facilitate the succession process and can play an important role for its final success, even if they aren't directly involved in the process. Different actors may be involved: family members, business employees, professional advisors and other external experts not involved in the family and in the business. Many authors believe that the involvement of external experts may be decisive in helping successful succession and some authors (Bertella, 1995; Corbetta, 1995, 2010; Piantoni, 1990; Preti 1991) proposed a classification of these external experts, underlining their roles and their potential impact on succession process. The overlap of family and business means that family firms could potentially benefit not only from engaging external business advisors to offer the traditional hard advisory services such as accountancy and law, but also soft services from psychology and counselling backgrounds such as mediation and conflict resolution (Nicholson et al., 2009).

However, it's still unclear if family businesses actually involve traditional or new experts, why family businesses decide to ask for their help, which issues they face (soft? hard? both?) and if the involvement of external experts can really contribute to the success of succession process. Some family business advisors (Geddes, 2009) estimate that 80% of succession issues are soft issues, with 20% representing hard issues that is defined “the easy part”. Nevertheless authors underline that many advisors focus on hard issues but they are “uncomfortable” advising business owners on what are sometimes referred to as soft issues (Zwick, Jurinski, 1999).

The purpose of the present study is:

- to highlight the issues (soft/hard) behind family business' decision to ask for external advisory services and, secondly, to understand what barriers may prevent or hinder the involvement of external advisors;
- to analyze the role of these advisors, understand their attitude towards hard and soft issues and the effectiveness of their involvement for the success of succession process;
- to identify problems that may arise during the relationship between family firms and external advisors.

Research method

The following methodology was adopted in the research.

First of all, a literature review focusing on existing studies and empirical research about soft and hard issues and external advisors that can facilitate the managing of succession.

Secondly, a qualitative analysis based on case studies. Since the aim of the investigation was neither to verify hypotheses nor to reject, confirm or modify existing theories, but to explore the object of study in depth (Macrì, Tagliaventi, 2000), a qualitative method was preferred. We analyzed some cases of Italian small family businesses that have experienced or are going through the intergenerational transfer and had involved, or had chosen not to involve, external experts. The majority of the family businesses involved are small to medium sized enterprises but they are heterogeneous with regard to sector, structural characteristics and family features. The analysis was carried out through direct interviews to incumbent and/or successors.. With the permission of the participants, conversations were recorded and then transcribed word for word with the purpose to analyse them.

Contribution of research

This study aims to contribute to a better understanding of succession process. In particular, it aims to better understand, on the one hand, the opinion of small family firms about the role of external experts and their approach to soft and hard issues, and, on the other hand, the attitudes and behaviours of family firms against external advisors, in order to know if there are barriers that can hinder the effective involvement of external advisory services and if they meet the expectations of family firms.

First results underline especially small family businesses may have difficulties involving external experts and having access to their expertise. These difficulties are not only due to economic reasons, because of high cost of these services, but they are mainly caused by difficulties in recognizing the existence of a need and to identify the most suitable person to satisfy it. Another important problem is that family businesses often consider succession a private affair and prefer not to share it with external people. On the other hand, external advisors, especially business consultants and accountants (main contact for entrepreneurs), focus on hard issues and sometimes forget that managing soft issues is equally, if not more, important.

These results may be helpful to understand how to design effective advisory services to respond to the needs of family businesses, especially small ones, in order to help them in managing both soft and hard issues related to the succession process.

Debating points

Do small family firms really need external advisors to help them to effectively planning and managing succession process?

Who can help small family firms to address soft issues related to succession process?

How to remove small entrepreneurs' resistance to involve external advisors during succession process?

Introduction

Italian economic system is characterized by a high presence of family-controlled businesses. According to Istat, around 95% (almost 4,5 millions) of Italian manufacturing and service firms are family-controlled ones and employ less than 10 employees (Istat, 2008, 2009). When we consider medium and large-sized firms, the percentage decreases but it is still high, as 57,1% of them is a family-owned firm (Corbetta et al., 2011). Some estimates indicate that Italian family firms, together, employ 52% of total workforce and generate 70% of GDP generated by all Italian firms (Cerif, 2008).

Succession is the main factor in the crisis and discontinuity in the family firms (Boldizzoni et al., 2000) and the first succession process, in particular, causes the cessation of 70% of family businesses (Armal, 2003).

As early as 1994 the European Commission estimated that 2 out of 3 businesses disappear within 5 years from the succession, with a loss of about 300,000 jobs a year in Europe, and that 10% of the failures was due to an inadequate process management succession. In 2002, EU statistics showed that about 5 million European companies, representing 30% of the total, would face a generational shift in the next ten years, with 610,000 businesses and 2,400,000 jobs at risk each year.

In Italy, this problem is particularly important, not only because of the high percentage of small family firms, but also because around 42% of entrepreneurs are older than 50 years, and around 7.5% are older than 70 years. It is estimated that in this period in Italy there are around 50,000 successions annually (European Commission, 2006).

These figures explain why succession is one of the main topics in family business literature (Chrisman, Chua, Sharma, 2003).

According to the literature (Hoover, Hoover, 1999; Malinen, 2004) important issues regarding family business and succession can be divided into “soft” and “hard” issues. Soft issues

relate to individual emotions, personal feelings, relations and communication between family members. Hard issues relate to technical problems or solutions concerning inheritance matters, financing, taxation, legal aspects, and the details of executing the ownership transfer. Managing hard issues is important but they are usually not the problem. Soft issues are usually the most delicate area and the key to successful succession. Focusing on soft issues is important in order to avoid conflicts between family members, support communication process, and create the right conditions for survival of family business across generations.

The main actors of succession process are the incumbent and the successor, and attention of family business literature has mainly been focused on them. Little attention has been devoted to the analysis of the other people who can facilitate the succession process and can play an important role for its final success, even if they aren't directly involved in the process. Person involved may be different: family members, business employees, professional advisors and other external experts not involved in the family and in the business. Many authors believe that the involvement of third actors may be decisive in helping successful succession and some authors (Bertella, 1995; Corbetta, 1995, 2010; Piantoni, 1990; Preti, 1991) proposed a classification of these external actors, underlining their roles and their potential impact on succession process. The overlap of family and business means that family firms could potentially benefit not only from engaging external business advisors to offer the traditional hard advisory services such as accountancy and law, but also soft services from psychology and counselling backgrounds such as mediation and conflict resolution (Nicholson et al., 2009).

However, it's still unclear if family businesses actually involve traditional or new advisors, why family businesses decide to ask for their help, which issues they face (soft? hard? both?) and if the involvement of external advisors can really contribute to the success of succession process. As pointed out by some authors (Zwick, Jurinski, 1999), many advisors focus their activities

mainly on the solution of the hard issues and they have a hard time dealing with soft issues. However, family business advisors argue that soft issues are the most important to manage in a succession process, and the most difficult to solve (Geddes, 2009).

In this context, the present study focuses on the role of external advisors (accountants, lawyers, business advisors, consultants, psychologists, family counsellors, business mentor/coach, etc.). Our aim is:

- to highlight issues (soft/hard) behind the decision small family businesses to ask for external advisory services and, secondly, to understand what barriers may prevent or hinder the involvement of external advisors;
- to analyze the network of external advisors to which small family businesses actually occur when they are involved in a succession process, in order to understand who these advisors are;
- to analyze the role of these advisors, understand their attitude towards hard and soft issues and the effectiveness of their involvement for the success of succession process;
- to identify problems that may arise during the relationship between family firms and external advisors.

With this purpose, a qualitative analysis based on case studies has been carried out. Through a number of direct interviews to incumbent and/or successors we have analyzed some cases of Italian small family businesses that have experienced or are going through a succession process and have involved, or have chosen not to involve, external experts. Our aim is to contribute to a better understanding of succession process. In particular, we aim to better understand, on the one hand, the opinion of family firms about the role of external advisors and their approach to soft and hard issues, and, on the other hand, the attitudes and behaviours of family firms against

external advisors, in order to know if there are barriers that can hinder the effective involvement of external experts and if they meet the expectations of family firms.

The paper is organized as follows.

First a literature review on the role of external actors and outside services to help family business succession is presented. Subsequently, after a description of the research method, we describe the results from case studies, which allowed to understand family businesses' opinions and attitudes against external experts. Finally, the main conclusions from the research are discussed and implications for future research are presented.

1. The role of external actors and outside services to help succession process. Literature review.

Problems related to the succession process are well-known, as well as risks associated with its inadequate management. Nevertheless, family business literature has devoted little attention to the analysis of external advisory services in support of succession.

The main difficulties of the succession process are largely due to its remarkable multidimensionality (Le Breton-Miller et al., 2004) and to the variety of perspectives (Piantoni, 1990) that must be considered in order to manage it without risks for the business and so ensure its continuity.

The multidimensionality of the succession, in fact, may require heterogeneous skills and the involvement of different advisors, specialized in dealing with the various aspects of business transition (Swartz, 1989). Actually there are many aspects that must be managed in order to ensure a successful succession: organizational, strategic, managerial, economic and financial issues; problems concerning inheritance, financing, taxation, legal aspects and ownership transfer; psychological and emotional issues, concerning individual and family relationships. For

this reason, the involvement of external experts can be crucial. In fact experts have important specialized skills to effectively address problems associated with succession (Bertella, 1995; Corbetta, 1995, 2010; Piantoni, 1990; Preti 1991).

In family business literature there are many studies in which the importance of external actors is highlighted. Some authors (Fox et al., 1996; Desai, 2007) argue that the involvement of an external facilitator or a professional moderator (Jernigan, Lord, 2008) may be crucial for the success of succession process, especially in small-sized family firms.

As noted by Morris et al. (1996) in family business literature involvement of outside consultants is considered one of the main factors that ensure the success of succession process. Malinen (2004) argues that in Finland for companies involved in a succession process “The biggest challenge [...] was the need for external advice for the planning of the transfer of business”.

Despite the recognized importance of the contribution of external actors, there are few studies that have in-depth analyzed their role, the nature of their services and their effectiveness in helping family businesses in the management of succession.

In particular, little is known about family firms’ attitude against these advisors, assessment given to their services, factors that can stimulate, or hinder, the use of external advisory services. In studies on this topic, attention has often been focused on accountant’s role (Lewis et al., 2007; Battisti, Massey, 2008): the accountant, in fact, is the advisor who seems to receive greater trust by owners of small-medium enterprises, as they turn to him for a wide range of problems, including those related to the management of succession.

Sawers and Whiting (2010) emphasize the important role that external professionals – particularly business advisors and accountants – can play in helping family businesses to adopt a correct attitude towards the management of succession. In fact, they can help companies timely address the major issues and properly plan the succession process.

Other authors (Swartz, 1989) focus the role of business consultants. They wonder about the best ways to deal with typical family businesses' problems and they emphasize the need to adopt a multidisciplinary approach. To be noted, in fact, is the dual nature of family businesses, where two different systems coexist – business and family – characterized by extremely different principles, values, goals, motivations and expectations (Lansberg, 1983). For this reason, it is believed that the main difficulty for the consultant is to become aware of the specific features of family businesses (Aronoff, 1998) and to identify the most appropriate ways to release tension associated with their dual nature. It is therefore suggested to involve a team of experts (Jaffe, Lane, 1997), in order to make available to the company a wide range of multidisciplinary skills.

Actually, the overlap of family and business means that family firms could potentially benefit not only from engaging external business advisors to offer the traditional business advisory services such as accountancy and law, but also soft services from psychology and counselling backgrounds, such as mediation and conflict resolution (Nicholson et al., 2009).

Other authors (Hoover, Hoover, 1999; Malinen, 2004) argue that important issues regarding family business and succession can be divided into “soft” and “hard” issues. Soft issues relate to individual emotions, personal feelings, relations and communication between family members. Hard issues relate to technical problems or solutions concerning inheritance, financing, taxation, legal aspects, and the details of executing the ownership transfer.

The adoption of measures to manage the hard issues is important, but these measures do not ensure the survival and continuation of the family firm. In fact, if the aim of the succession process is to ensure the continuity of the business, then to solve problems relating to the transfer of ownership is not sufficient. These aspects are certainly important and they should not be underestimated. But they do not fully capture the criticality of the succession process, which mainly concerns the transfer of the entrepreneurial role and raises a series of problems concerning

relationships between family members, between individuals involved in the firm and between family and firm.

The importance of the relationships between family members is underlined by Fox et al. (1996). They suggest that the success of succession process requires the ability to effectively manage six critical relationships: 1) company and its most important stakeholders; 2) older generation and company; 3) younger generation and company; 4) older and younger generation; 5) younger generation and company's most important stakeholders; 6) older generation and company's most important stakeholders.

The success of the succession process may in fact be compromised by problems such as: the difficult relationship between incumbent and successor, the lack of shared values between old and new generations (Davis, Harveston, 1998; Dunemann, Barret, 2004; Dyer, 1986; Fox et al., 1996; Goldberg, 1996; Lansberg, 1988; Ward, 1987), conflicts between family members for the distribution of corporate positions and shares (Davis, Tagiuri, 1989; Levinson, 1971; Stern, 1986), difficulty to separate family and business issues (Davis, Harveston, 1998; Birley, Godfrey, 1999; Carlock, Ward, 2001) and to manage the overlap between family, ownership and business (Handler, Kram, 1988; Kets de Vries, 1993; McCollom, 1988; Montemerlo, 2000; Ward, 2004). Other problems may arise due to incumbent's reluctance to retire (McGirven, 1978; Kets de Vries, 1993; Levinson, 1971) or to rivalries between members of the new generation interested in taking over business leadership (Ward, 1987). Other risks can result from the successor's inadequate training (Barnes, Herschon, 1976; Sentuti, 2008), from his(her) difficulty to integrate him(her)self into the company and gain acceptance by employees or from an inefficient transfer of knowledge and skills between incumbent and successor (Cabrera et al., 2001), with risk of impoverishment of company's intangible assets.

The central role of soft issues makes succession process particularly critical, difficult to deal with even for accountants and other professionals, like lawyers (Westhead, 2003). Actually succession is a “unique, case-by-case process, where a one-size-fits-all mentality is simply not appropriate” (Ip, Jacobs, 2006). For the consultant, this implies the need to be “sensitive to the aspirations and needs of their target group for assistance” (Westhead, 2003) and to be able to be in tune with customer’s needs, even if they are unexpressed, in order to avoid solutions that may be too forced or inconsistent with his will (Aronoff, 1998).

Some authors (Morris et al., 1997) suggest that consultants should develop networks with other professionals, experts in family therapy and succession management. They should also help entrepreneurs to look at the succession process in a broad manner, in order to be able to integrate different dimensions and perspectives.

Despite the emphasis on the important role of external actors in facilitating succession process, there are few studies in which this topic is approached from the demand side, i.e. from the perspective of family business users, or potential users, of services offered by external advisors.

This is why Battisti and Massey (2008) emphasize the need for further research, especially through qualitative analysis, in order to approach this problem from many perspectives, including that of entrepreneurs.

In this respect, an exception is Sawers and Whiting (2009) analysis, who carried out a number of interviews with some small New Zealand businesses in order to understand the role played by chartered accountants in the management of succession process. This analysis is very useful to understand entrepreneur’s opinion about accountant’s characteristics that may affect his ability to help family firms to manage succession process. In particular, interviewed entrepreneurs emphasize the importance of a long term relationship between advisor and

business, accountant's ability to be fair and impartial and to develop with his client a relationship based on trust and honesty, as well as his ability to give the right advice for the management of succession process.

At the same time, the research shows some limits regarding accountants' ability to solve succession related problems. According to interviewed companies, in fact, the involvement of an advisor may be essential to address "technical" – hard – issues, but the prevailing idea is that accountant isn't the right person to address soft issues.

This is an important indication as some family business advisors (Geddes, 2009) estimate that 80% of succession issues are soft issues, with 20% representing hard issues that is defined "the easy part". Nevertheless authors underline that many advisors focus on hard issues but they are "uncomfortable" advising business owners on the soft ones (Zwick, Jurinski, 1999).

Kirkwood and Harris (2011), using results from an experimental project in New Zealand, stress the importance of a "case by case" approach in dealing with succession. They confirm the central role of consultant, as many companies believe he/she is the best person to help them in planning the succession process, thanks to his/her ability to empathize with the company and help it to find the best solutions. The same research also provides useful information about other activities that can help companies in managing the succession process. Many companies require help in succession planning, while other initiatives are considered less effective: workshops, diffusion of printed material, advice and information via website.

Even Nicholson et al. (2009) carried out an investigation in New Zealand on the use of external advisors by family businesses. With regard to succession issues, this research confirms that accountants are the most used advisory services for a lot of family businesses, followed by solicitors. On the contrary the involvement of coaches or mentors is very unusual. This research shows that "although there were some family businesses who cited succession planning as an

unmet need, the majority of respondents did not believe there were any needs related to the family aspect of their business that were not currently being met. However, this is not to say that there are no unmet needs. It could be that some family businesses are not aware of the potential benefit of getting outside advice for family-related issues”. For this reason the authors agree on the need to raise awareness about the relevance of external advice, even for family related issues.

Despite the important results from this research, attitude of companies towards external advisory services for succession process is still largely unexplored. Aronoff (1998) underlines the growing relevance of consulting services and training activities specifically designed for the family businesses. At the same time, the author notes that “Although millions of family businesses exist, only a small minority are likely to be consumers of products and services for the family business and they will be the consumers only at certain points in the lives of their businesses”.

Use of external services by family firms is therefore far from being clear (Morris et. al, 1996) and a lot of questions are still unanswered. This is especially true in Italy, where family businesses possess some particular features, that influence their attitude and their behavior towards the management of succession and give rise to doubts on the space left to external actors. Actually, Italy belongs to the so-called “strong family ties societies” (Reher, 1998) and this particular trait influences every aspects of social and economic life in the country (Alesina, Giuliano, 2010). With specific regard to family businesses, this characteristic causes an attitude of closure towards the involvement of external individuals (Banfield, 1958), regardless of whether they are outside managers or directors with qualified skills (Corbetta, Minichilli, 2010; Corbetta et al., 2011) or non-family members investors who can bring additional capital to the business (Gnan, Montemerlo, 1999).

So it's still unclear: if family firms are actually willing to make use of external advisory services; if family firms believe external advisors are really useful for the success of succession process; if family firms actually involve traditional or new advisors, why do family businesses decide to ask for their help, which issues do they face (soft? hard? both?) and if the involvement of external advisors can really contribute to the success of succession process.

2. Methodology

In order to answer to the above mentioned research questions, the following methodology was adopted.

First of all, a literature review focusing on previous studies and empirical research about soft and hard issues and external advisory services that can facilitate the managing of succession.

Secondly, a qualitative analysis based on case studies. Since the aim of the investigation was neither to verify hypotheses nor to reject, confirm or modify an existing theory, but to explore the object of study in depth (Macri, Tagliaventi, 2000), the qualitative method was preferred. We analyzed 13 cases of Italian family businesses that have experienced or are going through a succession process and have involved, or have chosen not to involve, external experts. These family businesses are medium- (8), small- (4) or micro-sized enterprises (1)¹. They are heterogeneous with regard to sector, generation at the head of family business (1th, 2nd or 3rd generation) and family features (no offspring interested in the family business, only one child or multiple children) (see Table 1).

¹ EU parameters (Recommendation 6 May 2003) concerning the definition of micro, small and medium enterprises were adopted for the classification.

Table 1 – Firms description

	Dimension	Industry	Sons/Daughters interested in FB	Generations involved in the FB	External advisory service
Firm 1	Medium	Engineering	0	1 st	Yes
Firm 2	Medium	Engineering	2	1 st e 2 nd	Yes
Firm 3	Medium	Transport people	1	1 st	Yes
Firm 4	Small	Footwear	1	1 st e 2 nd	Yes
Firm 5	Medium	Household and office furnishings	1	2 nd	Yes
Firm 6	Medium	Construction	2	1 st e 2 nd	Yes
Firm 7	Medium	Sinks for kitchens	1	1 st	Yes
Firm 8	Medium	Aluminium, steel and panel manufacture	1	2 nd	No
Firm 9	Small	Construction	1	2 nd e 3 rd	No
Firm 10	Medium	Wirings for electrical appliances and electronic equipment	1	1 st e 2 nd	No
Firm 11	Medium	Plastic materials	2	1 st e 2 nd	No
Firm 12	Small	Speakers	0	1 ^a	No
Firm 13	Micro	Electromechanical	1	2 nd e 3 rd	No

The analysis was carried out through direct interviews to incumbents (10) and/or successors (11). Twenty-one semi-structured interviews, guided by a check list, were conducted by one or both authors in the period December 2009 and June 2011. Respondents were first asked to describe their business in general and thereafter their succession process. The second part of the interviews focused on the role of external advisory services in helping succession process. We asked interviewees to describe their experience and to give opinions and suggestions regarding the importance of external advisory services for the survival of a family business. The framework of the interviews was a project commissioned by an Italian regional business association. Therefore, entrepreneurs were asked, in particular, their opinion about the role of this association, and of business associations in general, in helping small family firms during their succession process and in supporting the continuity of family businesses.

The face to face interviews lasted between 45 minutes and 4 hours. They were conducted in each firm, digitally recorded and transcribed word by word. The unit of analysis for this study was each business's experience about the use of external advisory services for the continuity of family business. During the analysis every interview was carefully read in order to find words, sentences and relevant references concerning the research topic. Then we organized highlighted words and references in a data table, classifying them according to the subtopics they refer to. Table 2 describe the data table we used to classify this references from the interviews. Each column is devoted to one of the subtopics identified during the analysis:

1. *Hard/Soft issues*: Why did family businesses decide to ask for external services? Which issues did they face (soft, hard, both)?
2. *Global/Partial approach*: Did family business ask for external services to planning and manage the succession process as a whole (global approach)? Or to address a specific problem of succession (e.g. successor's training) (partial approach)?
3. *Promoter*: Who decided to ask for external services? The incumbent? The successor? Other family members? Anyone else?
4. *Advisor*: What kind of professional advisor was hired?
5. *Service*: What kind of service did the family business ask for?
6. *Problems*: Did any problems occur during the relationship between family firms and external professionals? Which were the main problems they faced?
7. *Outcome*: Was the family business satisfied with external services?
8. *Barriers*: Which factors may prevent or hinder the involvement of external services?
9. *Suggestions* about new advisory services and measures to help family business to access external services, with particular emphasis to the role of business associations.

Table 2 – Data table

	Soft/Hard Issues	Global/ Partial Approach	Promoter	.....	Suggestions
Firm 1	<i>Quotation</i>	<i>Quotation</i>	<i>Quotation</i>	.....	<i>Quotation</i>
Firm 2	<i>Quotation</i>	.....	.....	.....	.....
Firm 3	<i>Quotation</i>	.....	.....	.....	.....
.....
.....
Firm 12	.....	.....	.....	.....	.....
Firm 13	<i>Quotation</i>	.....	.....	.....	.....

Finally words and verbatim quotations classified in the data table were analyzed as a whole. Next paragraph shows the main results from the analysis, with examples of quotations from interviews.

3. Results from the analysis of the interviews

Seven of the thirteen family businesses involved in the research affirm that they asked for external services. In one case the entrepreneur said that he would ask for an external advisory services when the junior generation will be involved in the family firm. Motivations are mainly related to soft issues (in 6 of 7 cases): relationships between incumbent and successor, relationship between siblings, promotion of entrepreneurial culture among younger generation and, more in general, among family owner and future family business members, successor’s motivation, communication process between family members, incumbent’s reluctance to delegate, distribution of roles between family members, younger generation’s training and coaching. Less frequently, entrepreneurs claim they asked for external advisory services to face (also) hard issues (in 4 of 7 cases), such us: management of family estate and business, the need

for company operations (mergers and acquisitions), to obtain financing to purchase other family members' shares, sale of the family firm due to the lack of successors. This result seems to confirm that soft issues are central and often represent the most critical area of succession, as highlighted by the literature review. But if in one hand entrepreneurs perceive the importance of soft issues and the need for external advice to manage them, on the other hand, as we shall see later, professionals do not always demonstrate adequate competences and sensitivity to these issues. Surprisingly, none of the interviewees explicitly referred to purely fiscal or legal aspects relating to succession. This, in the opinion of the authors, doesn't mean that these problems do not exist or that family businesses don't care about them. Instead we think that entrepreneurs think these problems aren't directly related to the management of succession. It is possible, for example, that the distribution of corporate shares between offspring, as well as management of related tax implications, are decided when children are very young and their pathway to joining the family firm has not yet been clearly defined. For this reason, it is possible that such operations are not perceived by the incumbent as an important aspect of the succession process, but as "natural and necessary" acts to be performed. This situation lead us to think that incumbents don't have an overview of the succession process. In fact they sometimes have difficulty in considering and managing all dimensions – corporate, strategic, family, individual, financial, tax, legal, relational, psychological – as a whole. Table 3 shows some quotations from the interviews, regarding hard and soft issues.

Table 3 – Soft and hard Issues in interviewed firms

Soft Issues	Hard Issues
<p>Firm 1: <i>“I asked for an advice to many people ... this psychologist who is a friend because my son is one of those who lack the courage, but being prepared is indecisive and afraid even if he maintains good relations with everyone ... he is convinced that this work is not for him...”</i></p> <p>Firm 2: <i>“The main problem has been the delegation process from father to me and my brother....”</i></p> <p>Firm 9: <i>“First, I shall try to assist my son with a consultant that can transmit his competences, so my son will be able to start his pathway in our family business with right information and knowledge”</i></p>	<p>Firm 7: <i>“ I have always thought that the greatest problem in a succession process is the transfer of ownership. I've always been convinced of this thing. So I started looking for a lender to buy shares from other family shareholders”.</i></p>

The difficulty in understanding the multidimensionality of succession is also shown by the approach adopted by entrepreneurs in the management of succession process. Only three companies adopted a *global approach*, in order to plan and manage the succession process as a whole. In other 6 cases family businesses adopted a *partial approach*, as they addressed only single aspects of the succession process (e.g. training of the successor) (Table 4). Partial approach reflects entrepreneur’s poor attitude to plan succession as a whole, in favor of a greater propensity to face individual problems as they occur. Actually, several studies show that, especially in small and medium sized family businesses, a succession plan (formal or informal) is rather unusual (Malinen, 2004; Bruce, Picard, 2006). However, it is widely accepted that lack of planning is a critical barrier to successful succession (Trow, 1961; Barnes, Hershon, 1976; Ambrose, 1983; Dyer, 1986; Lansberg, 1988, 1999; Morris et al., 1997; Malone, 1989; Handler, 1990; Ward, 1987; Ciambotti, 1991, 2000; Kets de Vries, 1993; Bertella, 1995; Corbetta, 1995; Dyck et al., 2002; Sharma et al., 2001; Ip, Jacobs, 2006). Actually planning prevents improvised decisions and it helps to ensure that all important decisions are properly reasoned and consistent with

desired goals. We refer to decisions concerning successor selection (Ward, 1987) and training (Barnes, Herschon, 1976; McGivern, 1978; Danco, 1982; Barach et al., 1988; Piantoni, 1990; Ward, 1987; Corbetta, 1995; Morris *et. al.*, 1997; Cabrera-Suarez et al., 2001; Vergani, 2003), mode and timing of his involvement in the company, third actors' role – other family members, managers, employees, other external individuals – (Corbetta, Dematté, 1993; Corbetta, 2010), relationships between family and business (Lansberg, 1983; Montemerlo, 2000; Sharma et al., 2001), and so on. As we can see better in the following analysis, this lack of planning is not without consequences for the ability of family firms to effectively deal with the succession

Table 4 – Partial and global approach in interviewed firms

Partial approach	Global approach
Firm 3: “ <i>We asked our accountant to support my son and help him acquire experience in this field</i> ”	Firm 1: “ <i>I involved a well known consulting company to take a picture of our company and to help us deal with the generational change</i> ”

Regarding to the *promoter*, only in one firm incumbent and successor agreed to use an external advisory service. In the other firms, the decision to engage an external advisor was taken by the incumbent (3 cases) or by the successor (3 cases). Interestingly, when the promoter was the successor, measures and proposals of consultants were often “boycotted” by the incumbent. In fact incumbents were often skeptical about the usefulness of external consulting, as they perceive involvement of the consultant as an invasion of their space and their *modus operandi*. In a third case, the successor’s proposal to hire an external professional was accepted by the incumbent. But it took a long time before admitting the usefulness of the advice of the consultant. This attitude of the incumbent might be interpreted as resistance to change, but also as closure towards the involvement of external individuals. In fact they are often perceived as “intruders” in

strong family ties that characterize, in particular, Italian family businesses (Reher, 1998). Then, the decision to engage an external advisor must be properly weighted and shared between senior and junior, so as to prevent undesirable effects (i.e. conflicts between incumbent and successor) which could negatively affect succession.

In this perspective, other important aspects to be considered are the type of *external advisor involved*, the nature of his service and his attitude towards his clients. Our analysis confirms that business consultants and accountants are family businesses' main advisors and contact persons, as shown by other research (Bruce, Picard, 2006; Nicholson et al., 2009; Sawers, Whiting, 2009; Kirkwood, Harris, 2011). In fact respondents prefer to hire professionals with which they have had a long relationship, based on mutual knowledge and confidence (in accordance with Sawers, Whiting, 2009). Sometimes they involve professionals with a well-known reputation and a long and proven expertise in the succession process. These professionals are mostly concerned with hard issues (e.g., corporate restructuring, wealth management, drafting of family agreements) but sometimes entrepreneurs asks them help with soft issues (e.g. successor's training, redefinition of roles between incumbent and successor). It's important to note that psychologists, coaches, mentors and "facilitators" start to play a growing role, as we find that they have been involved by several family businesses. This is an important result of our analysis. In fact other research (Nicholson et al., 2009) found that involvement of soft consultants in the succession process is very limited. Results from our study, on the contrary, underline that several entrepreneurs involved "soft" advisors. These professionals are hired to assist family members in their experience in the family business, to ensure effective coexistence between incumbent and successor, to facilitate communication between family members and between family and firm, to verify successor's motivation and capabilities.

In some cases, other external advisory services have been involved. Sometimes the local business association has been engaged, primarily to obtain information on how to manage the succession process. In another case a bank has been engaged, as the successor would obtain financing to acquire the shares of other family members.

Proposed measures by external advisors were often very fragmented and not always effective. For this reason entrepreneurs have sometimes been forced to turn to other professionals to resolve other issues relating to the succession process. This means that many companies have adopted a "trial and error" process, in order to find the right advisor. For example, one of the family business in our research has involved several professionals before being able to create a mix of skills consistent with their needs. It is not surprising, therefore, that in some cases the relationship between entrepreneur and external professionals has been only partially satisfactory. In fact initiatives proposed by the professional have not always been effective and useful. In particular entrepreneurs complain the inability of some consultants, technicians and experts, to empathize themselves with the family and with the business and to understand the complexity of their relationship. They also complain about the fact that professionals are too theoretical and abstract and they aren't able to propose concrete and effective solutions for the problems of the company. For this reason, the involvement of other experts has sometimes been necessary, as in the example described above. The entrepreneur in fact has tried to establish multiple relationships with a number of advisors with different skills. But of course this is not the best solution, because there isn't the necessary team spirit. In fact, actors involved do not interact with each other, and each of them takes care only of his specific task. The solution of firm's problems is less effective and takes longer. It is also important that the entrepreneur has a deep understanding of the real problems of the company. Moreover, entrepreneurs do not always have the time, tools and skills for timely access to information needed to identify the right partners or initiatives. In accordance

with Morris et al. (1997), we emphasize the need that consultants should develop networks with other professionals, experts in family therapy and succession management. They should also help entrepreneurs to be more aware of the succession process, in order to be able to integrate different dimensions and perspectives.

The lack of awareness of the complexity of the succession is one of the main barriers that prevent or restrict the involvement of external professionals. These barriers (partly shown in Table 5) has been found in the six companies that have not involved any external advisory service, but also in some of the companies that have adopted a partial approach to the solution of the problem.

Barriers identified in our analysis are mainly due to some problems concerning the attitudes of entrepreneurs:

- their inability to look at succession as a complex and multidimensional process of change;
- their belief that external services are only suitable for large companies and/or for very large families;
- their idea that problems relating to succession are strictly personal and can be only analyzed, but not resolved, by outsiders.

Some entrepreneurs, in particular, believe that the success of succession depends only on the relationships between senior and junior. They also believe that this relationship can be managed only by those directly involved, that outsiders cannot provide any help and that there are no measures or tools to facilitate this process (Fox et al., 1996; Morris et al. 1996; Malinen, 2004; Desai, 2007; Jernigan, Lord, 2008).

Table 5 – Barriers that may hinder or prevent the involvement of external advisory services

Senior	Junior
<p>Firm 10: <i>“I do not believe in a method that is outside. There is not a method. There are too many the aspects to face ”.</i></p> <p>Firm 12: <i>“Thinking that someone from outside can enter significantly into the people inside the company and intimately understand the mechanisms is not easy”.</i></p>	<p>Firm 11: <i>“It’s more useful someone who already works in the company and has some important responsibility, rather than an outsider who only handle the transition. I always see it as an internal and not an external problem”.</i></p>

In order to understand how to design a really useful advisory service to help family businesses in the management of succession process, during the interviews we also asked entrepreneurs their opinion about: the most important problems to be addressed in succession process; the most effective way to help small family firms in managing their succession process; possible role of the business associations and services that they could offer.

With regard to the major issues to be addressed, it is interesting to note that soft issues has been largely prevalent (Table 6 shows some quotations form the interviews).

Table 6 – Main Problems to Face in Succession: Entrepreneurs’ Opinions

Soft issues	Hard issues
<p>Firm 11: <i>“ Parents must make the generational transition. must educate their children ”.</i></p> <p>Firm 2: <i>“ Many of the problems of generational transition are psychological problems. We are talking about problems between father and son, so the psychological aspect must be treated ”.</i></p> <p>Firm 9: <i>“It is a matter that concerns the relationships you have with your family, the values you have in the family, the relationships between family members. I think that the game is there and in that field is difficult to give advice”.</i></p>	

According to respondents, in fact, the most critical issues in the succession process relate to: children education, motivation of the successors, parent-child relationships, psychology of incumbent and successor, relationships between family members. This means that every external professional must take into account these aspects, as entrepreneurs believe that they are not only important but often decisive.

About the role of business associations, not every interviewees agree in saying that their involvement might actually be useful in helping family firms to properly and affectively manage their succession process (Table 7). Some entrepreneurs, in fact, believe that external advisory services, including business associations, couldn't help family firms in their succession process. These entrepreneurs in fact believe that succession is a too personal matter to be managed by external people. For this reason solutions may only be find by those who are directly involved in the succession process. Also some entrepreneurs believe that business associations are essentially political entities, and thus unable to carry out really useful initiatives for member firms.

Table 7 –Entrepreneurs’ opinions about the role of business associations

Pros	Cons
<p>Firm 2: <i>“Business association can help family firms to meet each other to share our experiences ... they can organize training courses ... usually we take part in a lot of them.” “Business association could also help me to find an advisor” “And they could spread information about how to manage succession process, or best practices. I think that they could be very useful because they could incite me to think better about my situation and to find some solutions...”</i></p> <p>Firm 7: <i>“Above all I think that business associations could help entrepreneurs’ successors ... they need to dialogue and to confront each other ... in order to reduce their anxiety, their fear. Training courses are very important too ...with specialized business</i></p>	<p>Firm 10: <i>“Any help. In a succession process business associations can only give some advice ... but any family business has its family and its family relationships, between father and son, uncles and nephews.” “where there are a lot of children, some help may be useful, but where there is a relationship between father and son as mine ... no help is needed”</i></p> <p>Firm 4: <i>“Role of the association? Only politics ... so many words but no facts. So many nice words ... but then it does nothing. What do business associations really do to engage young boys?!”</i></p> <p>Firm 3: <i>“I think it's a very personal matter that of the generational transition from father to son. It is closely linked to the person and the personality of the entrepreneur and his son.”</i></p>

<i>advisor but also with psychologists ...because it's important to learn how to behave with employees ...”</i>	
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On the contrary, there are many entrepreneurs who believe that business associations could provide valuable help for family firms, especially small ones, to manage their succession process. These respondents would like associations to organize a series of initiatives in order to help managing succession process. Some example of initiatives are the following:

- meetings between senior and/or junior, where everyone can deal with others' experience, share his concerns, problems and difficulties, draw useful conclusions from the example of other entrepreneurs who have had a succession experience;
- training initiatives for young entrepreneurs to help them in their learning and growth process. In particular, many respondents emphasized the importance of achieving a professional experience outside their family firm. This idea, however, has rarely been realized, due to the difficulty of identifying a company suitable for their requirements and willing to hire them;
- information about existing services, in order to help entrepreneurs to find the right expert or service for their problems.

4. Designing advisory services to support business continuity. Implications and limitations of the study.

In conclusion our analysis shows a number of useful information about small family firms approach towards succession. In addition, interviews allow us to better understand their opinions, attitudes and behaviors towards consultants and, more generally, towards external advisory services.

This information, in turn, may be useful to understand how small family firms can be helped during their succession process, who are the best suited advisors (individuals or companies) for this role and what are the most effective ways to meet small family firms' needs.

Our analysis shows that one of the main difficulties is the lack of information about existing services. Indeed, even when entrepreneurs are aware to have a problem and are available to receive outside help, they often have inaccurate and incomplete information about existing services and for this reason they sometimes give up asking for some help. Another important problem is that family businesses often consider succession a private affair and prefer not to share it with external people. This attitude is often the result of a poor culture about succession. It doesn't help companies to appropriately address the succession process and risks to deprive companies of an useful advice from outside.

In addition, firms ready to receive the help of external advisors are not always fully satisfied with the service they received. This dissatisfaction, in part, is caused by entrepreneur's difficulties in recognizing the existence of a need and to identify the most suitable advisor to satisfy it. This dissatisfaction is also caused by the lack of a global approach towards succession. In fact, small family businesses often try to solve single problems. They are unable to manage the succession process as a whole and they often lack a long term view.

On the other hand, involved external advisors often focus on hard issues and sometimes forget, or aren't able to manage, soft issues that entrepreneurs consider equally if not more important.

These considerations lead us to affirm that in order to help small family firms to effectively manage their succession processes, multiple measures are required.

On the demand side, it is necessary to help entrepreneurs to be more aware of the multidimensionality of the succession process and of the usefulness of external experts, as they

can help family businesses to plan the succession process and to solve the most critical problems. On the supply side, it is important to provide to family businesses, especially to the smaller ones, an easily accessible service, able to meet their needs and expectations.

In particular, information from interviews lead us to think that, in order to help small family firms in accessing external advisory services, could be useful to identify a person (a single person or an organization) to act as “main contact” towards entrepreneurs. This idea stems from the fact that the difficulty of small family firms to deal with the multidimensionality of a succession process is one of the main problems founded during our interviews. Just this multidimensionality, in fact, forces family firms to manage a variety of different problems. In order to effectively address them, they may need to involve a number of different advisors, with needed expertises to deal with financial, legal, organizational, familiar, strategic, fiscal, psychological problems.

But small firms, especially smaller ones, may have neither financial resources, nor time, nor necessary skills and information to identify needed experts and to deal with them. For this reason, sometimes small family firms are not able to find and contact on their own the right advisor and they may involve a wrong one, not suited to their needs and therefore not able to solve their problems.

This is why we believe that the involvement of a main advisor, acting as a “contact person”, is a necessary and effective way to help these firms. This reference advisor should be able to:

- provide *direct advisory services*, depending on his specialized skills and expertise;
- *indirectly help small family firms*, helping them to find and contact other experts with different skills (Fig. 1).

In order to be able to effectively play this role, this person should have the following requirements:

- be easily accessible (geographical requirement);

- be reliable, ie have entrepreneurs' confidence;
- be perceived as an approachable person, with which it's easy to talk to, in order not to intimidate small entrepreneurs, avoid bad feelings (eg.: "this kind of professionals are not suitable for us as we are a small firm"), and make an open and easy dialogue possible.

So we can wonder: who are the best suited advisors for this role? On the basis of analyzed interviews, we believe that especially accountants and business associations could play a central role in helping small family firms, acting as main contact person.

Accountant may be suitable for this role because:

- especially in smaller family firms, he is often the only consultant they engage;
- he knows not only the business, but also family's situation and problems;
- he enjoys the trust of entrepreneur and so he can be able to raise their awareness about the need to properly plan and manage succession process. He can also advise entrepreneurs and suggest them to involve other experts, when he knows that there are some problems requiring other specialized skills.

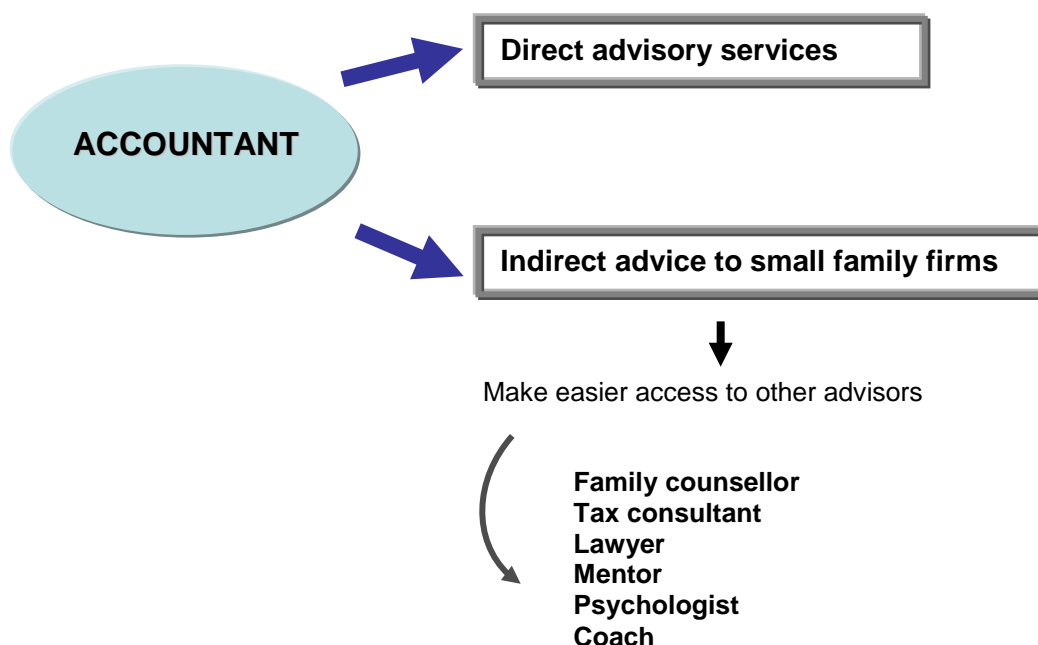
Anyway, in order to be really effective, accountants should:

- be fully aware of this role;
- know and understand main problems occurring during a succession process;
- be able to advice entrepreneurs by suggesting names of other professional to address.

This is especially true with regard to soft issues. During the interviews, in fact, it was found that small family businesses have mainly rely on their accountants, but they complain that accountants have been only concerned of hard issues. On the contrary, the accountants should be able to understand even the existence of soft issues, and should advise the entrepreneur to contact

some professional (eg: psychologist, family counselor, coach, etc.), rather than simply deal with matters that fall within their areas of expertise.

Fig. 1 – The role of accountants



A very important role in helping small family firms in effectively managing their succession process could be played by business associations. In fact they:

- know member firms as they interact regularly with them;
- are easy to access as they are geographically close to member firms;
- are perceived as competent actors, whose purpose is to help member firms.

Business associations could help small family firms with direct and indirect activities.

As suggested by interviewees, possible direct activities are: meetings, training initiatives, conferences and/or workshops, diffusion of information about existing law, about taxations system, about financial opportunities and so on. Meetings between entrepreneurs could be

especially useful, as the entrepreneurs themselves have pointed out during our interviews. Respondents in fact said they consider meetings between entrepreneurs more effective than conferences, just because meetings allow them to confront each other and to talk openly with other colleagues about their experience.

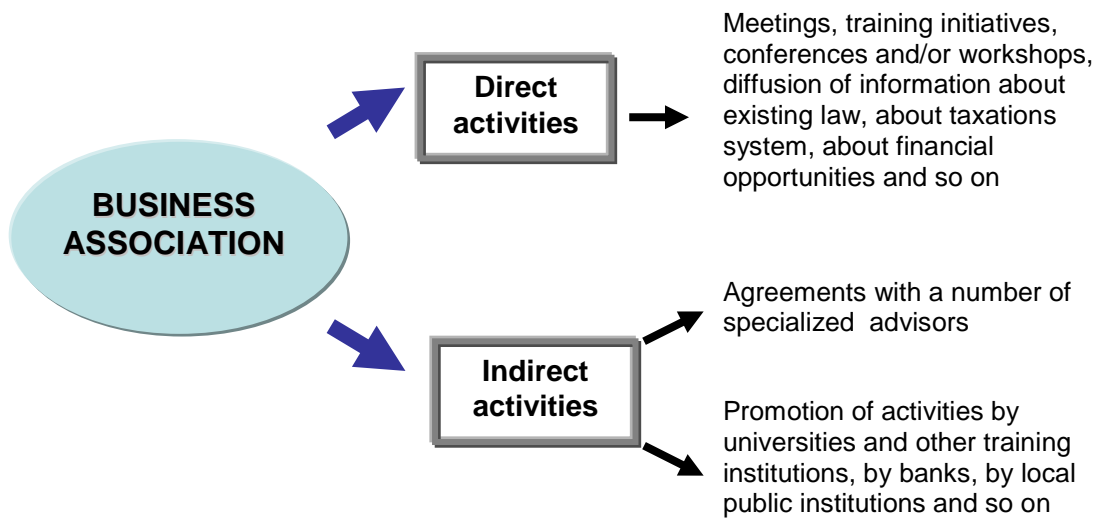
Indirect activities may be realized by business associations acting as the central point of a wide network involving a number of other advisors and experts with different specialized skills, and especially with private professionals (lawyers, accountants, psychologist, family counsellors, tax consultants, business advisors, coaches, mentors and so on). With these professionals business associations may conclude agreements to make access to their consulting services easier and less burdensome, in order to help member firms.

Business associations could also play an important role acting on a larger scale, through initiatives not directly aimed at family firms, but aimed at creating in its local area a deep and shared culture of succession. In this way business associations could advice small family firms and indirectly help them during their process of succession.

Business associations could indeed coordinate and promote a number of initiatives, implemented by other actors present in their local area. In fact, they may:

- encourage universities and other training institutions to carry out training activities (eg. masters) focused on the theme of succession in family firms;
- encourage banks to create credit measures to help companies facing financial problems during the sequence (eg. credit buy out);
- stimulate local public institutions to create a regulatory environment favorable to succession, to reduce risks associated with this difficult and delicate phase of family businesses' life cycle (Fig. 2).

Fig. 2 – The role of business associations



Results from our analysis may be helpful both for consultants, for business associations and for family businesses. Accountants, advisors and business associations could receive some important advice about how to design effective advisory services to effectively answer to family businesses' needs, in order to help them in managing both soft and hard issues related to the succession process.

Family businesses can be helped to understand the important role that external advisors can play in addressing the different problems posed by succession, both hard and soft issues. In fact we believe that this is still “the biggest challenge” for many family businesses involved in a succession process (Malinen, 2004).

We conclude pointing out some limitations of this study.

First, results refer to a small number of cases and therefore they are not generalizable to the universe of family businesses. This study thus can be considered a pilot study, to be developed with further analysis.

Secondly, our interviews have been carried out as part of a larger research project whose main purpose wasn't to analyze the relationship between family firms and external advisory services during their succession process. This has meant that key information were sometimes limited and not always sufficiently detailed. For example, it was not possible to clearly trace the network of all external advisors and services to which family businesses actually occur when they are involved in a succession process. We managed to identify only those spontaneously mentioned by the entrepreneurs, but maybe there are other experts that entrepreneurs did not mention or that they think couldn't be related to the management of succession. The analysis of demand for such services should therefore be further investigated, in order to capture new insights helpful to design advisory services which are closer to expectations and needs of their potential users.

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