



Family Business  
Australia

## Family Business Australia – Adviser Members Guiding Notes

### Purpose

The Adviser Members Guiding Notes are designed to help improve and assure the quality and effectiveness of professional services provided to family businesses by FBA Adviser Members.

There are two main sections:

**Ethical Guidelines** provide high level conceptual and moral guidance explaining *how* to provide *most appropriate, highest quality* professional advisory services to family businesses. The Guidelines should be followed by all FBA Adviser Members whenever they provide professional advice to any family business.

**Professional Conduct** prescribes *what* family business Adviser Members should do, to deliver acceptable professional services to family businesses. The Guiding Notes should be followed by all FBA Adviser Members whenever they provide professional advice to any family business.

### Background

A Family Business is a business of any size or type that is, or may become, substantially owned and operated by two or more family members.

Family businesses, and the people who work in them, are subject to every need, issue and challenge that affects non-family businesses. They also have to deal with the effects of family dynamics, both at work and at home.

Because family businesses have special needs, their professional advisers can find themselves in complex situations beyond the contemplation and jurisdiction of their primary professional disciplines. When this happens, both advisers and clients need additional professional conduct guidelines to complement their standard professional Codes.

In these Guiding Notes the term *advice* is used to cover the entire range of professional services that may be required by family businesses, from time to time. It includes a much broader range of activities than is usually described as *professional advice*.

### Rationale: The Family Business “Difference”

Family businesses are affected by a greater diversity of issues, needs and interests than are found in ordinary businesses. These involve the interplay between the business, the family

and the individuals involved in either or both. Required advice may be anything from personal (%soft+) to technical (%hard+), or a combination thereof (%complex and multi-disciplined+).

Family businesses usually work to much longer time frames than other businesses. They are influenced both by legacies from the past and by the legacies they are building for the future. Their objectives and motivators can contain a contradictory mix of commercial and emotional elements.

*Who is the client? What is the required task?* The requirements of a family business engagement are complicated by the need to be *family-sensitive*. It's usually clear who is paying the bills, but the individual and collective interests involved may belong to a wide range of parties.

The family background underlying the family business environment usually demands a non-adversarial approach, with a focus on shared needs and interests, collaboration, facilitation, long-term problem solving and win-win outcomes.

Although it's often helpful to have objectively correct, technical information available, the family's broader objectives may not be best served by the strict application of right or wrong decisions, or win-lose outcomes.

### **Rationale: The Family Business Adviser “Difference”**

A typical family business %client+ may be a group, or class of people, with a broad range of issues, needs and interests. Their family business adviser therefore needs a correspondingly broad knowledge of business, family and personal issues, needs and interests, and a good working appreciation of the interplays between them, when working in such an environment.

High quality family business advice produces optimal outcomes, by addressing the full gamut of the client's referred/identified needs, under all known circumstances. This can demand an unusually open, collaborative, multi-tiered and multi-disciplined approach, where advisers from different disciplines work together to balance the *internal* (personal/family) with the *external* (commercial stakeholder) implications of their advice and the potential interplay between them.

### **Ethical Guidelines**

These Guidelines are designed to help FBA's Adviser Members operate at the highest professional levels.

FBA Adviser Members should:

- Approach each engagement with an open mind and with an unshakeable desire to provide each family business client with the best possible professional advisory services for their needs.
- Act professionally in all dealings with clients, stakeholders, colleagues, other professionals and the public and refrain from doing anything that could bring FBA, or the community of FBA Adviser Members, into disrepute.
- Comply with the strict requirements and the spirit of the FBA's Professional Conduct Guide.

- Be accountable and accept responsibility for both their performance and their tangible results.
- Constantly increase their professional capacity to serve the family business sector through continuous learning and the generous sharing of ideas, knowledge and experience.
- Contribute to the success of the family business sector by sharing relevant ideas, knowledge and experience.
- Respect our environment and balance the rights of future generations with current practical and economic needs.
- Be guided by, and demonstrate, admirable values that include honesty, integrity, trustworthiness and reliability in all professional and business dealings.

## **Professional Conduct**

The following notes are a guide for all FBA Adviser Members.

### **1. The Engagement**

Professional engagements must be formally evidenced in writing, in an Engagement Letter, or similar document. Electronic communication is acceptable. The primary objective is to ensure transparency and that all parties fully understand their mutual commitments and expectations of each other throughout the engagement.

The Engagement Letter should be expressed in plain English (or other language appropriate to the parties) and must clearly state:

- The terms of the engagement.
- The nature, scope and objectives of the engagement.
- Procedures for modifying the original plan as the engagement progresses, if required.
- Details of the planned approach or process, including timing of major stages and anticipated deliverables / outcomes.
- Identification of the key parties, and the adviser's responsibilities towards them. *(This recognises that conventional professional definitions of "who is the client?" may not be applicable on certain engagements where the adviser is required to assist a whole group of people [eg: selected family members]. It doesn't matter that the contract itself, and responsibility for paying the adviser's accounts, lies with an individual, or a company).*
- Communication and reporting processes to be followed during the engagement.
- Anticipated costs, or at least the basis of charging fees and expenses, including details of how bills will be rendered and paid.
- Details of any commissions or referral fees payable to any other parties in respect of the engagement.

- Confirmation that there are no known conflicts of interest, or details of any known or suspected conflicts.
- Procedure for formal acceptance of the engagement terms by authorised representatives of both/all parties.

## **2. The Adviser: Client Relationship**

A major distinguishing feature of most family business advisory work is the high level of trust established between advisers and clients. Trust is based on many factors, foremost amongst them being: Honesty & Integrity; Client Priority; Reliability; Independence, Impartiality & Objectivity; Trustworthiness; Confidentiality.

Clients must always be well-enough informed to be able to decide whether to commence, or continue with an engagement.

The following rules are designed to help establish and maintain trust AND satisfy the requirements of the Guiding Notes:

### **a) Honesty & Integrity**

*Honesty* requires advisers to present their facts, opinions and expectations as accurately as possible.

*Integrity* requires advisers to *do the right thing* by their clients, and others.

FBA Adviser Members should:

- Describe their education, training, experience, skills, expertise, success rate and professional credentials with honesty and accuracy.
- Diagnose the clients' current and anticipated needs with honesty, and tailor their services to respond to these needs as efficiently and cost effectively as possible, throughout the engagement.
- Provide clients with honest opinions and comprehensive, relevant and accurate information to facilitate informed decision making.
- Undertake only engagements that they honestly, and reasonably justifiably, believe lie within the boundaries of their professional and practical competencies.
- Openly and honestly disclose any serious concerns they have, or should reasonably have, concerning their ability to undertake, or continue with, an engagement.

### **b) Client Priority**

*Client Priority* requires advisers to place their clients' interests above their own within the framework of an engagement.

FBA Adviser Members should:

- Strive, and be seen to be striving, to achieve the best possible outcomes for their clients under all the circumstances.

- Promptly refer clients to other advisers or experts, to complete some or all of an engagement, when it appears reasonably likely that this will produce better outcomes for the client.

### **c) Reliability**

*Reliability* relates to performance: doing *what* you say you~~d~~ do; *when* you say you~~d~~ do it; *how* you say you~~d~~ do it. There should be no surprises or disappointments between client and adviser if you under-promise and over-deliver.

FBA Adviser Members must:

- Competently perform their family business advisory work in accordance with the terms of their engagements as regards: content, scope, style, process, quality, timing and costs.

### **d) Independence, Impartiality & Objectivity**

*Independence:* freedom from the control or influence of others.

*Impartiality:* freedom from bias or favouritism; disinterest; equitable and fair.

*Objectivity:* freedom from influence caused by personal emotions, needs or prejudices; judgements and actions based on facts.

Independence and objectivity can be hard to achieve and even harder to maintain in a complex family business engagement involving conflicting interests. In most traditional professional engagements the adviser is engaged by an individual or company to do their specific bidding and to represent and promote their interests. When the broader family is the ~~%client+~~, there is no single interest or position to champion. The adviser may be required to deal with the diverse and sometimes interconnected interests of individual family members, AND the family as a collective entity, AND the business as a commercial entity.

In most family business advisory engagements it~~s~~ almost impossible to achieve true ~~%independence+~~, since there is usually only one, or a small number of key individuals providing most of the information, giving most of the instructions, approving the adviser~~s~~ accounts, and paying the bills. Realistically, advisers are usually closer to those individuals with whom they have regular communications than to others.

Therefore, in complex family business engagements (not technical engagements) FBA requires *Impartiality*, rather than *Independence*. *The adviser should be fair and be on everybody's side ... and on nobody's side.*

FBA Adviser Members should:

- Be free to act in an impartial, fair and professional manner, towards all stakeholders, at all times.
- Be free of real or perceived conflicts of interest that could reasonably raise doubts about their impartiality and objectivity.
- Disclose the possibility of any potential conflicts of interest - past, present or future - to all relevant parties.

- Avoid advocating the interests of any stakeholder(s) against any other stakeholder(s), to the extent their actions could reasonably be perceived to compromise their impartiality.

#### **d) Trustworthiness**

*Trustworthiness*, in the family business adviser context, means having a close relationship with clients that encourages, sanctions and even requires the adviser to ask the hard questions like: “*What keeps you awake at night?*”, in order to get a full picture of what’s really going on below the surface of the business and/or the family.

FBA Adviser Members must:

- Try to develop close and trusting relationships with clients that permit and encourage the asking of *hard questions*.
- Ask the *hard questions*, as early as is practically possible in each engagement, to obtain a better understanding and appreciation of the family and personal dynamics that are influencing the situation.

#### **e) Confidentiality**

*Confidential Information* is secret information provided to an adviser (to make them as fully informed as possible) in the expectation it will not be divulged to others without express authorisation.

FBA Adviser Members should:

- Treat all sensitive information obtained during the course of an engagement as confidential, unless they are told otherwise.
- Not divulge any confidential information to unauthorised parties.
- Not use any confidential information obtained during the course of an engagement for any purpose other than that for which the information was provided.

### **3. General Professional Conduct Rules**

FBA Adviser Members should:

- Conduct themselves as credible and responsible professionals at all times observing, as a minimum, the standards and rules of all professional or trade associations of which they are members, including FBA.
- Avoid doing anything that does, or that could potentially tarnish the reputation of FBA, its family business members, its adviser members, or the family business sector in general.
- Create and maintain individual client files, in hard and/or soft copy, to enable FBA to conduct a quality review in the event of a complaint. Files should be kept for at least six years from date of completion of engagement.

- Disclose the nature of any business relationship and/or referral fee arrangement, when referring a client to another adviser, or to a service provider.
- Keep current in their area of professional practice, including family business, by complying with all relevant CPD (continuing professional development) requirements set by their professional associations.
- Treat all persons fairly and equally regardless of their race, creed, colour, national origin, religion, gender, age, marital status, sexual preference, physical condition, and/or appearance.
- Recognize and respect the intellectual property rights of others and properly acknowledge the original author and source whenever publishing said works, in any form.
- Encourage and support the professional development of other Family Business Adviser Members.
- Help other advisers to understand, appreciate and comply with the Ethical Guidelines.
- Encourage, promote and support the interests and development of FBA, and the field of family business generally, whenever possible.
- Avoid unwarranted and/or unnecessary criticism regarding clients, other advisers, FBA and the field of family business in general.
- Not speak, nor purport to speak on behalf of FBA, unless authorised to do so by nature of their official status within FBA, or unless authorised to do so by an appropriate, senior FBA officer.
- Avoid precipitating problems for clients, or FBA, through unauthorised interference in staff recruitment, retention, transfer, or other activity.
- Avoid the existence, or perception, of conflicts of interest.

## **Research Projects**

FBA Adviser Members conducting research into family business issues should:

- Show due respect and concern for the dignity and welfare of the individuals, families and businesses that participate.
- Be adequately informed, and abide by, relevant laws and regulations regarding all aspects of the conduct of research projects.
- Ensure that all participants involved in the research do so voluntarily and with adequate information.
- Conduct all research projects in compliance with the requirements of the Guidelines.