

# A Family Council: A Renegotiation of Relationships

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When business families start family councils, we hear a few common questions:

1. How does a family council work?
2. What does a family council do?
3. What is its purpose?
4. How do we enforce the decisions we make?

These are important questions, yet we would like to see more begin with the question: Are we ready to commit to changing our rules of engagement with one another?

Over 40 years ago, Sherwood and Glidewell (1972), published an influential article on planned renegotiation. They introduced a method for changing implicit psychological contracts — expectations individuals have for one another in a relationship — by negotiation.

In relationships, things often work fine for a while with an implicit (and often not discussed) contract. Then, something happens and the “contract” stops helping the relationship. When the contract breaks down, one option is to struggle with tension for a while before separating (siblings do this a lot). However, if the parties in the relationship successfully negotiate a new contract by making the elements of their relationship explicit, they can continue the relationship productively until the

next game-changing challenge comes along.

Psychological contracts — a term used to define these unwritten expectations — change between individuals in families all the time. A son goes through puberty, his mother accepts a new position requiring more travel time, and they get stuck because the old relationship that used to work now does not. By recognizing changes and making their desires and expectations of one another explicit, the mother and her son can renegotiate the terms of a relationship (i.e., expectations about friends in the house when both parents are out, expected attendance at school programs, keeping in touch, better scheduling, etc.). New rules are adopted to accommodate changes and the renegotiated relationship continues forward.

In family businesses, psychological contracts also change frequently. Changes in age or marriage status result in new expectations for family communication: an employed son who has been sheltered by loving parents wants to gain independence by launching a new business unit, no longer satisfied in his previous position; a patriarch passes the mantle of business leadership to his daughter, who now questions previous strategies; a death causes cousins who only have talked about surface issues to engage in deeper business discussions

with another family branch. Especially when the family is growing in size or the business in complexity, a family council may be considered as a tool to help the family become more organized in coping with experienced and expected changes.

Starting a family council, if done well, is an explicit rule-changing activity and can be understood as renegotiation within the family. Family councils craft explicit rules for many situations. How do we want to handle confidential business performance information? What is our expectation for family members who wish to join the business? Do we want to re-establish the holiday dinner that hasn't occurred since grandma passed? Will spouses attend our family shareholder meetings? And the always challenging, how will we make decisions, on what issues, and how will conflict be resolved?

In the best of circumstances, business families proactively start family councils to anticipate complications of the business and family, and to avoid destructive conflict. In reality, however, many are started to deal with a current conflict. The 'Hills' family, owners of a successful distribution business, is one example.

Over three generations, they have become a large family with several family members working in the business and many more becoming shareholders. Add in spouses and a younger generation of eventual inheritors (and trust beneficiaries), the Hills needed a family council. The current family CEO was only 55, so succession was about 10 years out, but the signs of future conflict were unmistakable. Too many Hills were vying for the coveted role of successor to the CEO and competition was developing for the board chair role, too. Advocates for individual "candidates" lined up along branch lines.

Before the Hills ventured into designing a family council, they wanted to know the most important question they needed to answer. The question was: "Are we willing to change how we do things?" They determined that if they could not confidently change their behavior, a family council of any design would fail as they renegotiated their relationships.

In a family meeting of 35 adult shareholders and their spouses from two generations, the Hills' meeting facilitator had them begin by answering two questions, which appear with their answers below:

**If we don't change our rules of engagement, what might happen?**

- Competition will drive a wedge between our families;
- Closing ranks within branches makes us more pronounced as political factions;
- There will be two winners and several losers within the family;
- Humiliation for our proud family as associates and our community will treat us like a spectacle.

**If we all agree on new rules and live by them, what might happen?**

- Fair processes will replace unhealthy family politics;
- We will have orderly leadership transition with individuals in roles which fit them well;
- Respectfulness to those who might be disappointed;
- Peace in the valley.

They came to the conclusion that the benefits were attractive and the downside was well worth avoiding, but what about the costs? How big of a change did they need to make? Similarly, how big might be the resistance to change? The elephant in the room was the fear of speaking about the branch of the family with the most members in the business and their possible resistance to change. Members of this one branch held both the CEO and board chair positions, plus there were three younger-generation members from the same branch working in the business. No one wanted to create a family council, work on a vision of leadership and develop methods for making objective decisions about future leadership if, in the end, not everyone was willing to conform. Despite the discomfort, the question was put to the branch whose members currently held the leadership roles:

**If we establish a fair process for making leadership decisions in the future, would you be willing to accept a potential conclusion that a member of another branch, or even a non-family leader, is the best successor?**

There was not an immediate response. A discussion followed with several questions raised and answered:

- Would everyone have an opportunity to frankly speak and give their opinions about a fair process for leadership succession?
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- Are we willing to listen to disparate opinions and put in the time to find a consensus all can live with?
- Can we put self-interests aside and support what is best for all?
- Do we think we can do this work and maintain a level of respect for one another that will allow all to keep their dignity, and for us to improve our inter-branch family relationships?

During a long discussion, the Hills recognized that they had not been speaking frankly. The family found through listening and integrating quiet voices and outliers, they could act in the interest of the entire family and show respect for one another in the process. They began to renegotiate the way they related to each other by making some of their most important expectations of each other explicit, and thus provided enough confidence to proceed. They knew they needed a forum to accomplish a leadership-succession process, and address other neglected nagging issues like educating younger shareholders. They challenged themselves with difficult questions, and each judged the commitment levels of the others by the responses that were made. In the end, they determined they had what it would take and concluded together, “Yes, we can change how

we relate to one another.” The Hills then made plans to design their family council.

A document was produced from the meeting called “Our Pledge to Support a Family Council.” It contained the Hills’ beliefs and agreed upon expectations in creating their family council.

What the Hills will now do is go back to the first four common questions:

1. How does a family council work?
2. What does a family council do?
3. What is its purpose?
4. How do we enforce the decisions we make?

They will design a family council that will actually provide them with a forum for continuous renegotiation and build in one of the hallmarks of successful family firms — adaptability.

[1] Sherwood, J. J., & Glidewell, J. C. (1972). *Planned renegotiation: A norm setting OD intervention*. In W. W. Burke (Ed.), *Contemporary organization development: Orientations and interventions* (pp. 35-46). Washington, DC: NTL Institute.



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