

Dear Family Business Advisor: Answers to Top Questions about Family Meetings

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Getting the family together is simultaneously one of the most joyful occasions in the life of a family business and one of the most terrifying meetings a family can plan. It has long been a recommended “best practice” for all enterprising families. Our colleagues Craig Aronoff and John Ward placed holding regular family meetings among the two most important steps a family business owner can take to ensure continuity.¹

Still, the prospect of getting the entire family together for a long weekend can be a daunting challenge – What will we talk about? How can we all get along? We are so different in our lifestyles, politics, professions, business understanding, will opening ourselves up to the comments and potential criticism of family members who don't work in the business just make things worse? Yet, our experience shows that families that plan and hold regular family meetings strengthen the bonds of family and strengthen their support for the enterprise.

As consultants who help develop and plan family meetings, some common questions and concerns are raised by families no matter their size, generation, industry or location. In this month's article, we take our best shot at the tricky questions you may stumble upon as you proceed.

Dear Family Business Advisor:

We have heard from fellow family-business owners that they are holding regular family meetings. While we agree this is important and would like to begin holding meetings with our family, we aren't quite sure what this means. Where do we start? Who is included? What do we even discuss?

Signed, Family Meeting Newbies

Dear Newbies,

Your fellow business owners are right: family meetings are a crucial piece of your company's continuity planning. These periodic gatherings bring the family together to share goals and decisions, discuss common problems, learn about the business, and preserve the family's identity, values and traditions.¹

To make these gatherings even more powerful, the meeting does not focus only on the business/investments. Agendas may include a variety of content reflective of the many dimensions of the family. Some sessions are on the operating business or investments, some on family philanthropy, some on family legacy and history, some are opportunities to reflect upon and dig deeply into identified family values or family relationships. There's an effort to include something for everyone!

Let's look at what goes into a successful family meeting:

WHO: Family meetings should include all family members, including children and spouses. Some sessions might be limited to family owners or members of a particular generation of the family, so be sure there are clear guidelines in place about who participates and when.

Family members not working in the business, who are often on the fringe of business-related discussions, are encouraged and supported to share and participate. Many times, the quiet or more distant family member has some new perspective or wisdom that contributes greatly to the strength of the family. Family meetings are the perfect opportunity to hear from, and communicate with, those that may be less involved in the day-to-day of the business.

Meetings are often planned and implemented by a group of family members, frequently those not working in the business or family office. This allows them a meaningful way to play a role in their family enterprise. Agenda items are often created based on input from the larger family, so that sessions reflect the interests of all those participating.

WHAT: The meetings are thoroughly and deliberately planned. Agendas include descriptions of each topic, the reason the topic is being included, the people involved with the presentation, the duration of the presentation, and pre-meeting materials to add even more substance to the discussions. These agendas should be shared in advance with all participants.

WHEN: Most family meetings are annual events. Sometimes there's a 6-month update by phone or webinar. There is continuity between meetings. Substantive and important projects, that may take several months to complete, can be undertaken by the family and help make the process even more meaningful.

WHERE: The meeting takes place in a setting that's conducive to focus and attention. For the business part of the meeting, young children are with babysitters, phones are turned off and distractions are eliminated so people can focus without distraction.

As a note, meeting expenses and all individual travel and meeting-related expenses, are covered by the business as an expected and important shareholder relations expense.

Remember Newbies, "perfect" can be the enemy of "good enough." Pick a date, convene a planning group, consider hiring a facilitator, and take the plunge! You'll be happy you did.

Dear Family Business Advisor:

We are a family business dedicated to successfully transitioning into the next stage of management and ownership. Our business is strong, and we have a fully functional board of directors with several independent directors. The board has been encouraging us to start some kind of annual family meetings. They believe that it is important to our future success.

However, we already get together as a family pretty frequently for birthdays and holidays, so we don't really see why a more formal family meeting is needed. What do you think we should do?

Signed, Spending Plenty of Time Together Already

Dear Spending Plenty of Time,

Congratulations on your strong business, independent board and regular family celebrations. Sounds like you are doing many things to promote a successful family firm!

But, we do agree with your Board that some kind of formal family meeting will likely be beneficial for successful continuity, even though you already spend a lot of time together as a family.

Unlike a birthday dinner or holiday celebration, formal family meetings bring family members together to engage in focused discussions and reflections on their vision, values, roles, responsibilities and activities as a family. The carefully-planned meeting agendas are specifically designed to build stronger relationships and provide clearer communication within the family. When the family owns an operating business or joint investments, these meetings usually include a high-level business update.

It is also much better for family members to hear about important developments (such as new expansion, new products, new hires) directly from those working in the business rather than informally while at a soccer game, at the grocery store or in a published news story. When informed deliberately about these developments, each family member has the full story and is better able to support the decision.

There are many reasons that these dedicated meeting times are so important. For brevity's sake, we'll focus on two key reasons here: one more proactive and the other more reactive.

On the proactive side: There's ample research showing that family firms can outperform public firms on many important dimensions including return on investment, return on assets, net income, etc. The source of this competitive advantage is often attributed to the enduring values, long-term outlook and patient capital provided by family owners. Family meetings are the best technology known for nurturing the family advantage.

On the reactive side: Family members can't be supportive and positive about their business or investments when they know nothing about them. If all they hear are rumors and snippets of incomplete information, it is easy for inaccurate, unrealistic and potentially negative perceptions to develop. Expecting uninformed, distant family members to provide loyalty and support for the family business is not realistic.

Also, here's a totally different perspective on family involvement in the business: Some families use the family meeting to actively seek input and ideas from family members not working in the business about a specific question or strategic challenge. They see the family's wisdom as a potential competitive advantage in these regards. For example, a client in the retail food business asked their young family members to provide feedback on some new food lines they were thinking of putting in their stores. A manufacturer asked family members to provide input on the SWOT being prepared for the upcoming strategic planning session. And a distribution center asked for the family's input on three potential growth scenarios. In all these cases, the family's input was uniquely valuable and highly appreciated by company management.

So, Spending Plenty of Time, we hope this answer helps you understand why planned, formal family meetings are important, even for those families that see each other quite frequently.

Dear Family Business Advisor,

We hesitate to start formal family meetings because we worry that a few unhappy family members might use that time to tell us how to run the business. We also worry that the meeting could go off track, and things might be said that could hurt relationships forever. Do you have any advice to make us feel more comfortable?

Signed, Can't Stop Worrying about Worst Case Scenarios

Dear Can't Stop Worrying:

Your concern is a common one, and very important to keep in mind while planning family meetings.

As families grow larger and become more geographically dispersed, the knowledge gap between family members working in the business and those not working in the

business can grow to large proportions. It might make sense in the early years of a young, small business for family members to offer ideas and opinions about business operations. However, as the business grows and becomes more mature and complex, unstructured family input can be distracting and hinder management's ability to focus and get results.

The family meeting is actually one of the best ways we know to help the family provide input that is appropriate and helpful. Holding a family meeting with a carefully structured agenda, thorough pre-meeting communication and strong facilitation is one of the best ways to help family input be meaningful and guided to stay on track. If inappropriate advice-giving or idea-generation breaks out during the meeting, a good facilitator can nip it in the bud, especially when the proper pre-planning and communication has taken place.

Often this tension is running below the surface of family dynamics anyway. Family meetings provide a protected, safe space to air concerns, voice opinions and address your worries head-on. Having that facilitator can help address family frustrations in a way that is more productive than avoiding them completely.

The family meeting isn't just about the operating business or family financial investments. It focuses on the many different kinds of capital that the family is developing — human and intellectual capital. Include agenda items that are about the family's activities and values but not about the financials. Affirm the fact that the family business is just one of many important aspects of your family.

With careful planning and thoughtful pre-work, your family meetings can be very advantageous for your family and further cement your relationships, rather than creating a wedge.

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