

Family Councils: Who Needs Them?

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The Family Business Consulting Group

As family business advisors, we have been recommending to our clients that they form family councils for decades. In fact, councils are often considered the sine qua non for all families who own businesses together, particularly if the business has been around for more than a generation. But who really needs a family council, and what exactly is one?

The word “council” is from the Latin word, concilium, meaning “a group of people meeting.” Another meaning for council is “an ecclesiastical assembly,” suggesting these gatherings were held for higher purposes. So when do family “meetings” become family “councils?” Why have family meetings? When should they begin? And what should take place at these meetings?

In their book, “Family Meetings: How to Build a Stronger Family and a Stronger Business,” Craig Aronoff and John Ward explain that family meetings change as businesses evolve. A few case examples will illustrate this evolution.

The Founding or Entrepreneurial Stage

Ben, the founder of an insurance brokerage firm, smiled as he announced his oldest son had started working with him. Ben had begun holding family meetings around his dining room table from the time his son and daughter were in grade school with the intention of making the meetings instructional, inspirational and fun. He wanted his children to understand family values, to appreciate where their money came from and to know they were welcome to work in the family firm someday. At these early family meetings, not only did the children learn about the business, but they also learned how much their dad loved what he did for a living.

Ben’s son, Josh, loved music. He played a wicked saxophone and chose to follow his dreams to become a jazz musician. After he settled down, got married and became a father himself, Josh wanted a career where he could give the same gift his father had given to him: security and the opportunity to join the family business.



He enthusiastically joined Ben's firm, and he brought that same love of harmony and collaboration that had made him a successful jazz musician into the family business, and he has never looked back.

We recommend families begin having meetings as soon as the founder is interested in the business's survival to the next generation. The meeting does not have to be formal, but it does need to be organized to be effective. A simple agenda emphasizing the future of the business, the values of the family, and how they can have fun together is a great place to start. Aronoff and Ward indicate the typical issues in this stage are family participation, leadership transition and cultivating family skills.

The Sibling Ownership Stage

"Help! I'm tired of being a referee," scowled Michael, the founder of a flourishing interior design company. He said his three daughters were just dreadful to each other. It was exhausting him, and he feared their valued customers were overhearing the sniping. At 70, Michael knew it was time to discuss his plans for the future with his daughters, who ranged in age from 43 to 48, but he just couldn't stand the thought of being in the same room with them for more than 10 minutes. Fortunately, he called a family business advisor who knew how important it was at this stage to do team building and establish goals everyone could agree upon.

The family business consultant met with each of Michael's daughters individually and learned there had never been a family meeting, due to Michael's fear that "things might just explode." Although the daughters had differing points of view, they all dearly loved "Papa," and they all planned to continue to work in their family's business well past Michael's impending retirement. They had never had the opportunity to learn what their father's succession plan was, nor had they ever formally discussed common goals for their family or for their business, causing a great deal of tension and dismay. Finally, while it might not have been intentional, it was also apparent that by keeping the sisters separated, Dad got to be everyone's favorite.

Michael agreed to begin having monthly family meetings with his daughters and the family business consultant in a private room at his country club. The agendas started simply, with the main item being team building. Slowly, the sisters and their father began strengthening their family and their business as they learned each other's communication styles, conflict resolution styles, and even personality preferences. Lavish meals were part of each gathering, where they shared humorous family stories and laughed loudly and lovingly. Eventually, Michael and his daughters were enjoying the meetings so much he invited his wife and sons-in-law to join in the fun. Relationships improved and, predictably, so did business.

These meetings continue and, though not formal, are always carefully structured with an agenda sent out in advance. They generally begin with an update on the business, supplied by Michael, and a lesson on best family business practices, given by the consultant. Notes are taken and distributed to family members after each meeting. Michael, his wife, his daughters and their husbands have made a great deal of progress and now meet quarterly. Michael's only regret is that he did not start having family meetings much earlier and realizes it was a missed opportunity.

We recommend that when siblings come into the business, family meetings should start as soon as possible. They should be held at least quarterly and should have a well-planned agenda with time for fun, family development and family business information. According to Aronoff and Ward, the typical issues at this stage are team building, establishing common goals, family harmony, and family education.

The Family Dynasty Stage

There was complete silence as the striking young man took the podium to speak to the nearly 500 attendees at an international industry conference. Frank, a fourth-generation member of one of the world's premiere lighting companies, served his family as chairman of the family council. His family's company had come close to being sold to pay disenfranchised family shareholders

just nine months ago. The young man told the crowd the reason his family's legacy had been allowed to continue was because they had a fully functioning family council—a family council that had begun meeting regularly three generations earlier.

Frank's family elects seven council members from the 72 adult members of the family. Family council meetings are held around an impressive marble boardroom table at the worldwide corporate offices quarterly, one day before the board of directors sit at the very same table. The meetings are formal with a highly structured agenda prepared by a full-time employee whose main job responsibility is working with the family shareholders as a coach, a confidante, and an internal family advisor. Minutes are taken at all family council meetings, as well as at the education, communication and legacy committee meetings. These minutes are distributed to all family shareholders in an effort to keep everything as transparent as possible. This family is proud of the fact that there is a place for every family member—blood and married in—to be as involved in family governance as they want to be. All family council members are paid for attending the meetings, and in addition, the family council chairman is paid a small annual stipend. All family shareholders are invited to attend all family council and committee meetings.

In addition to their family council meetings, this family organizes an annual family shareholder weekend. At these annual events, a family assembly meeting is held so the entire family has the opportunity to vote on the latest amendments to the Family Constitution, and, when needed, the vision statement. Immediately following the family assembly meeting, the family education of the 22 members of the fifth generation—who range in age from 4 to 20—is showcased. Among other things, they are taught early that it is their family who helps illuminate the world.

When family businesses reach the third generation, we recommend moving beyond family meetings and forming family meetings and forming family councils

with elected representatives. At this point, some family councils write family constitutions. Some formalize their family mission and vision statements to share with their boards of directors to make sure their values continue to be honored. In their book, Aronoff and Ward stress that the typical issues at this stage are shareholder issues such as liquidity and allocation of capital, as well as promoting family commitment to the business, encouraging family traditions, and honoring the family's history.

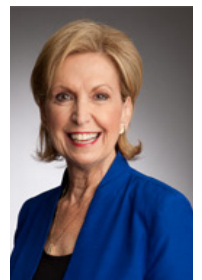
Family Meetings or Family Councils?

Most family business consultants agree family meetings are critical to the success of the family and to the business. But does it really make any difference what you call these meetings? Joe is the newly elected family council chairman of his entrepreneurial family's real estate business, which is transitioning from the first to the second generation. He explains his family wants to begin having family council meetings because he does not want them to deal with the same "emotional stuff" they deal with in regular family meetings. Having "council" meetings, to them, means the meetings should be more businesslike with an outside professional present so everyone would be on their best behavior and, most importantly, things would get done.

Who Needs Family Councils?

That one of the old English definitions of concilium is "an ecclesiastical assembly" serves as a reminder: What could be a more sacred gathering than a meeting to make your family and your business stronger? If you consider the stage of development at which your family business finds itself, you will be able to determine the appropriate level of formality and structure for your family's meetings. No matter the approach, you should also note that the word concilium is from com, "together," and calare, "to call," the root word for "calendar." With that in mind, whether you decide to call your family gatherings meetings or councils, the most important thing is to get the meetings on your calendar!

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