

# When the Family Council Needs a Makeover

By The Family Business Consulting Group, Inc.

When a family council is formed for the first time, there is often a backlog of issues to be addressed by the newly formed group. The initial activities are specific to the needs of each business family, yet they often include the following:

- Helping the younger family members and spouses begin to understand the business and their role as stewards.
- Planning educational opportunities to prepare the younger family members for future roles as shareholders, wealth inheritors, employees or active family members in foundation or governance roles.
- Resolving how business leaders will be selected.
- Managing changing roles of family members as the business transitions from one generation to the next.
- Creating the first family employment policy.
- Transforming a family board of directors to one that includes independent directors.

The new family council process works well when there is a succession of important issues that can be tackled one after another. During its first years, the family council is seen as a valuable resource and a good return on the family's investment. After a while, the "new" family council becomes "mature," and for some business families, it becomes that "compulsory but waste-of-time meeting." The family council has lost its value in the eyes of its members and to those who are less involved. Leaders may experience difficulty in getting members to commit to meeting schedules. Family members might put other activities first and complain

that the meetings take valuable time away from their immediate families or work. The family council may become slow in responding to requests by the family or board, or it may not respond at all. At this point, many families fear that the council has run out of important work and that future contributions to the family and the business cannot possibly match those initially made by the council.

For other family businesses, there may have never been a productive phase. They may have experienced an unproductive first try at a family council due to poor processes (e.g., unfair selection of members) or the lack of required meeting management and accountability skills (e.g., members with inappropriate skills or experience, or who follow a personal agenda). Other families may sideline their passion for their new family council because of a business or family crisis. Whatever the reason, what happens after the value fades or the enthusiasm for the idea of a family council evaporates?

Sometimes the family council dies a slow death. It was tried, and it failed to sustain itself, so it becomes a part of history, like a task force that accomplished its task and then dissolves. Yet we find many business families who are unwilling to let it die. They cite the need to have a forum in existence when it is needed. The council is viewed as a place to resolve conflict should it emerge. Most families tell us that when it is operating, a family council facilitates communication in the family, reduces conflict and creates a connection to the business and to each other that is difficult to duplicate in any other way. The challenge is sustaining the family council when there is a shortage of immediate opportunities for the council to add value.

This situation is not uncommon. Many families have faced the challenge of rebuilding a family council and restoring the family's faith in its value. Some successful methods we have facilitated or observed include the following actions:

1. Go back to the full family and ask for a mandate of priorities. A variation is to go to either management or the board and ask what contribution is needed from the family council or how the family can provide a greater contribution to the business' success. In one family we know, a member of the family council found out the board was discussing the branding of the company. When the family was assembled for a shareholders meeting, the chair of the group circulated a questionnaire. At the top of the list was "ensuring that the family element was represented in the identity of the company." As a result, the family council asked the board to incorporate their input as they developed the company's public image, which the board enthusiastically welcomed. This was an exciting new start for the council that led to a family values, business history, and family perspective project.

2. Shut the current family council down or let it die, and after a period of time, design the profile of a successful family council that meets current needs. After enough time has passed, reintroduce the new council (or call it something else) to fit with current issues of the family. A common example comes from one family that had started its family council years ago to facilitate the succession process. After a number of years, the succession process was completed, resulting in two cousins co-leading the company together with their five sibling-owners. Everyone was happy and no one felt the need to keep the family council going, and it faded away.

Recently, two members of the senior generation passed away. This triggered one of the cousins to leave the business. As a result, the once strong informal lines of communication about company news dried up for one branch of the family. Recognizing the potential for conflict, the family regenerated the family council to facilitate the flow of information between the business and family and to organize regular family meetings.

3. Change the schedule to include fewer meetings or to a variable meeting schedule that tracks with the issues to be addressed. If quarterly meetings are too frequent for the light workload, go to one or two a year, with the opportunity to schedule an additional meeting if issues arise that need attention.

One family revised its family council charter to require meeting at least twice a year for updates and information exchanges. Recently the company began the process of acquiring another business, which would have considerable impact on its financial structure. Family council meetings immediately increased in frequency without negotiation or questioning on anyone's part. The board invited the input of the family council as it considered different scenarios with the family. The board focused on the acquisition process, and the family council ensured a good exchange of communication and decision making within the family and provided feedback to the board.

4. Increase the responsibility of the family council. Sometimes issues such as preparing the next generation or communication with the family are handled by family members working in the business. It's easy because capacity is available for support, budget, etc. But it also may result in the family council losing importance.

A family can revitalize the group immediately by providing support staff and an appropriate budget and by transferring to the family council issues once handled in the business. It may not be the easiest or most efficient route to a solution, but it can considerably strengthen the family council's role as long as it produces tangible results.

One 4th and 5th generation family business made its family council responsible for all family education, the family's website and for organizing the family meetings. These tasks were previously coordinated by the president and his assistant. The family decided that the chairperson of the family council should be paid for this new part-time job, to encourage interest and accountability. The corporate office provides a part-time assistant who reports to the chairperson. These changes have

raised the status of the family council. Moreover, the council can now be held accountable for its plans and have its own means to produce tangible results.

Revitalizing the family council is worth the effort. Like the evolution of a business, a family council goes through a developmental and professionalization process. It can prosper if there are real issues to be addressed, a clearly

defined role and support to execute that role. A family council also should have the flexibility to scale back for a while if there are no issues it needs to address. Taking a break after a period of intensity can allow the family to regroup and reenergize for the next set of challenges it will inevitably face.

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To learn more about The Family Business Consulting Group and how we serve families like yours, call us at (773) 604-5005 or email us at [info@thefbcg.com](mailto:info@thefbcg.com). There is absolutely no obligation.

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