

SETTING UP A FAMILY COUNCIL



FAMILY LEGACIES



The whole notion of a family council may be foreign to business owners, so seeking outside help to set up and run a family council is a good idea. The advisor should attend the first few family council meetings to observe and make recommendations. After the family governance structures are in place and operating, the advisor usually is not needed on an ongoing basis. The established family governance structure (outside board of advisors and family council) operates fully with family members and business owners controlling all activities.

The following general steps provide an overview of the process:

1. EXPLAIN THE FAMILY COUNCIL CONCEPT

We recommend the family leaders send written invitations to each family member to attend a family meeting. Some choose to conduct this initial meeting in a retreat setting to help put family members at ease and make the event feel special, as well as to set the tone of the event. The advisor who helps set up the family council should also be present to help facilitate the meeting, educate the group, gain family “buy-in,” and help develop the schedule going forward.

2. DEVELOP A STATEMENT OF FAMILY VISION AND CORE VALUES

The first order of business is to draft the family’s mission and vision statements. A family council should have a clear statement of its purpose, intent, and goals. Under the leadership of the senior family members, the entire family participates in drafting and then ratifying these important statements. The family vision statement is a strong cohesive message to the outside world that sets the tone for the family culture. The vision statement is intended to help family members develop a common sense of purpose and motivation in their lives. The family mission statement defines the purpose of the family and describes the family’s most important core values.

3. DEVELOP FAMILY BY-LAWS

The council also should have a statement containing the family council's rules of procedure. The family by-laws or charter fills this purpose. The family by-laws are the "Constitution and Bill of Rights for the Family." The by-laws contain the rules and formalities to be followed by the council. A provision for making amendments to the original by-laws is included. Developing a set of family by-laws takes several family meetings and should be viewed as an evolutionary process. They will and should change over time. It is usually helpful to get the assistance of an outside advisor to facilitate the process. Nonetheless, this is an important and meaningful step in creating a sense of ownership, empowerment, and participation for all family members.

4. SCHEDULE FAMILY COUNCIL MEETINGS

Family council meetings are held regularly and schedules a year in advance. All family members have the dates reserved for family council meetings for the upcoming year. We recommend family council meetings be held not more often than quarterly but at least semi-annually. It is important that meetings not be spaced too closely together. Enough time must elapse between meetings so family members have time to take action on agreed-upon items and have results to discuss. If families meet too frequently, the meetings can feel unproductive. At the same time, if families meet only annually, family members may not believe they have an effective forum to be heard and may resort to other means of expressing themselves. This is counterproductive.

Many clients find that holding meetings three to four times a year is perfect. This schedule doesn't interfere with the traditional quarterly business calendar. Spacing meetings four months apart gives everyone enough time to tackle big projects and make significant headway so they can report back to the group.

5. ELECT FAMILY COUNCIL OFFICERS

Officers are entrusted with conducting the business of the council. A chairman, vice-chairman, and recording secretary are examples of family council officer positions. The chairman generally plans the agenda and conducts the business at the general council meetings. The vice chairman assists the chairman in this regard, and presides over the meetings when the chairman is absent. The secretary records and reads the minutes, and distributes copies of general meeting agendas. We recommend that the family business founder or CEO not be the chairman on the family council. Giving another family member this responsibility is good training, can open the channels of communication, and ensures the family council does not become simply another vehicle to continue existing family dynamics.

6. ASSIGN RESPONSIBILITY FOR COUNCIL SUBCOMMITTEES

Each family council member is afforded the opportunity to serve on a council subcommittee designated to address a specific family issue of personal interest. Examples of subcommittees might include corporate liaison committee, charitable/philanthropic committee, family health and welfare committee, family information committee, and/or community relations committee. In some cases, special task forces are formed to tackle specific objectives such as development of a family employment policy or dividend policy. The subcommittees report their activities in general family council meetings.

7. CONDUCT REGULAR FAMILY COUNCIL MEETINGS

Family council meetings are conducted with all the formalities and respect typical in formal business meetings. Meeting reminder notes and agendas are distributed before the meeting date. Quorum requirements must be respected. People should be reminded of the meeting ground rules, and a copy of the by-laws should be available at every meeting. Minutes are kept, recorded, and reread at the beginning of each meeting. Old business items are revisited and resolved first. Subcommittee reports follow. New-business items are introduced next. Motions for council action are nominated and subjected to an oral vote by the family members. Motions without unanimous consent are discussed again, and, if necessary, referred to the subcommittee for further examination. Subcommittees then examine the motion in detail and prepare a formal policy for presentation at a general council meeting. During this presentation the "edict" is examined in light of the family vision/mission statement and family charter. Arguments for both sides are presented and the family members vote again. If the edict passes, it becomes family policy. If the edict fails to pass as written, the issue may be abandoned or returned to the subcommittee for redrafting and reconsideration.

8. PARTICIPATING IN THE FAMILY COUNCIL

Family members should earn the privilege to have a voice on the family council. This does not mean younger members should be prohibited from attending general family council meetings, but they should be old enough to conduct themselves in a mature manner. We recommend that young family members be permitted to attend family council meetings as soon as they are able to sit through a meeting without being disruptive. This is a great way to teach younger family members to understand, respect, and work with each other. It also helps educate younger family members about the family's history, traditions, and values. In this sense, the very existence of a family council helps to instill a family's core values in the next generation for a very early age.

That said, younger family members, nevertheless, must understand they need to meet certain criteria before they can participate on the family council with older family members. The family determines what these qualifications are when drafting the family charter. Qualifications may include quantitative criteria such as reaching a certain age or completing a degree, or qualitative criteria such as demonstrating a commitment to one's chosen vocation (for example, working in the family business, managing a household, or academic studies); demonstrating financial responsibility; showing an understanding of business including the ability to interpret financial statements; demonstrating trust and respect for other family members; and demonstrating they can handle disputes in a mature manner. Whatever the standard, some performance-based criteria is important so participation in the family council is not viewed as a birth-right.