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MEETING **Your Needs...**

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A Family Business Council Helps Drive The Family Business

A family business can be at the very core of a family's existence. The business employs them, feeds and clothes them, and gives them a place to work together where family values are often integrated with the activities of the enterprise.

Not all family businesses are 'small' businesses. Some family businesses are in fact large corporations. These can have sizeable boards of directors, multi-tiered management structures, and offices around the world.

Other family businesses are of the 'Mom and Pop' corner store variety with just one location and two directors. It's not their size or scope that brings them all together, but the fact that they're owned by members of a single family.

Expertise on the board

Family firms can include people from outside the family in their boards of directors. It is not uncommon for the company's accountant or solicitor to have a seat on the board of a family business; marketing specialists and those with financial expertise are often invited to join the boards of family-owned concerns where they can help guide the direction of the business.

A key challenge faced by most family firms is finding a way to balance the need for family accord with the responsibilities of running a business, especially when long-term strategies are the cause of a disagreement. Sometimes disharmony or conflict will arise in a family-owned firm and this can have a negative impact on the success of the business.

In times of crisis decisions are often difficult to make when 'all votes are equal' or the head of the family wants to take the business where younger members don't want it to go. One way to help remove the opportunity for such situations to develop is to set up a family business council (FBC) that can determine the family's policies in regard to the business and gain agreement on the family's relationship to the enterprise.

A new source of guidance

Unlike the board of directors, the purpose of a family business council is to include all family members, including those not directly involved in the business, in the ranks of advisors to the family enterprise. The FBC's meetings provide updates on the performance and status of the business and allow broad issues, such as who should be the next head of the enterprise or whether the business should be sold, to be debated.

The FBC will share many of the concerns of the company's board of directors, but its perspective is strictly the family's and it can provide feedback to the board on how the board's decisions affect the family.

Just like the board of directors of the business, the FBC meets regularly – perhaps four times a year, and keeps minutes of every meeting. But the family council is a democracy in which the majority vote prevails. Its function is advisory only, and although it makes recommendations to the family businesses' board of directors, it is not there to guide or drive the business itself.

It is a forum where the family can establish or clarify its values and policies and determine how extensively these need to be applied to the business. For example, if a senior family member is planning to retire from the organization it could be that someone other than the person's next of kin would be the best replacement in that

position. The council can make that recommendation to the board of directors as an expression of the priority the family gives to having a successful business.

The council transcends generations

The members of the family business council would be all the members of a family that have reached a certain age – 18 or 21 years can be used as a guideline. The extended family that makes up the FBC will also include the spouses of family members. (How extensively this is carried is up to the family to decide, but it can also include partners if marriage isn't an issue.)

One of the key functions of the family business council is to ensure that younger generations have input into the direction of the business at a point in time before they take over control of the organization. This will help the members of the older generation as they work to prepare the firm for succession, and give the younger members of the family a greater feeling of 'ownership' throughout the succession process.

To get a family business council formed and hold its initial meetings it would probably be best to engage a facilitator from outside the family with relevant experience. This person needs to be a good organizer with a knowledge of meeting procedures and an understanding of the dynamics of a family. A business advisor or consultant would be useful in this role.

Decisions need to be made

The first responsibility of the new FBC will be to agree on its structure, its responsibilities and how it should be governed. Why is it being formed? Who is eligible for membership? Who will be the chairperson? How often will it meet? Until these kinds of details are worked through the family business council will not have a framework for its operation.

Once these basics have been taken care of the family business council can hold its first full meeting to progress to the next level – this can include deciding on a vision for the FBC and writing a constitution or set of guidelines for the council.

The challenges facing any business are wide-ranging and often have the potential to destroy the organization. Pressures within a family can exacerbate the effects of these challenges, especially as the business grows and reaches points of generational transition.

The family business council will help preserve the integrity of the organization so that all generations – present and future, can enjoy the rewards of the hard work and dedication that grew the enterprise to its current state.

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