

#### **Insight 4 – A Family Council**

About a week later, the running group members were gathered together at Stratus, a favourite restaurant of theirs with a great view of the city skyline to celebrate Winville's birthday.

Everyone showed up, including Julie, who had just returned from a two-week business trip.

After all the hellos and congratulations to Winville, Julie said, "I'm sorry I haven't been able to join you guys for the Noon hour run lately."

"No need to apologize," Alan spoke on behalf of the group.

"Actually, I'm not apologizing to you guys," Julie said, with a wink to Dave. "I am feeling sorry for myself, for missing so many opportunities to show you all up!"

Everyone laughed, but deep down had to admit that Julie could probably outpace any one of them if she really wanted to.

"So, tell us a bit about your trip, Julie," Dave jumped in. "Where did you go, what did you do?"

"Nothing much out of the ordinary", she answered. "Spent time with some of my west coast distributors; opened up a couple of potential new customers; had the chance to visit with some family members. Oh, and I chaired our semi-annual Family Council meeting."

"I didn't know you had family out west, Julie", Winville said, unaware of the significance of the Family Council reference.

"Yes, quite a few actually, between siblings, aunts, uncles, nieces and nephews, cousins and so on. My older brother runs the family business just outside Vancouver and my younger sister is a violinist with the Seattle Symphony.

"Wow," Winville declared, "You are a family of successes!"

Dave couldn't wait any longer to get back to Julie's mention of a Family Council, so he interjected, "Julie, did you say your brother runs the family business and that you chaired a Family Council meeting?"

“Yes,” she replied. “My brother is the third-generation CEO of a manufacturing company my grandfather founded back in the 1960s. There are about a dozen family members directly involved in the business at some level; and another fifteen to twenty who have what I would call ‘an interest’ in the firm, as shareholders if the business is ever sold. If you include all the kids who might be potential heirs, there are probably fifty of us connected to the company in some way. We use a Family Council as a way to keep everyone informed and, in an ideal world, happy as stakeholders in our family business.”

“This is a very interesting and timely topic, Julie, and I will explain why in a minute,” Dave said, “but if you don’t mind me asking, where do you fit in the realm of the family business? Is your business related to the family business?”

“No, not at all!” Julie reacted. “You know me, I am pretty strong-willed and independent. I could have joined the family business but wanted to make my own mark on the world. That said, of course, I have an interest in what goes on there. First, I inherited one third of my father’s shares when he passed away so I have a shareholder’s perspective and second, while I do not get involved in the management of the business itself, I want to do what I can to protect the legacy my grandfather and father created. That’s where the Family Council comes in.”

“I want to come back to the Family Council,” Dave said, “but, Jim, do you mind if we bring you into this conversation by sharing the things you, Alan and I have been discussing?”

“Sure, go right ahead,” Jim replied without hesitation. “I want to hear more too.”

Alan jumped in, “Absolutely, we have created Family Councils for a number of our family-owned business clients, so I would love to hear how it is working out in Julie’s case.”

“OK,” Jim started. “This all began with me telling Dave about challenges I was having with some family members who are involved in our family business. We, of course, do not have the size nor longevity your family business enjoys, so we are just starting to figure out the dynamics of a family-owned business.”

At Dave’s urging, I held a family meeting — the result of which was the creation of a Family Mission Statement to go along with the Mission Statement we already had for the business.”

Dave noticed Julie listening intently as Jim was speaking.

“From there, we talked about the structure of a Family Constitution to detail what our legal beagle here, Alan, referred to as our ‘rules of engagement’ for things like communication among family members, how decisions are made, how differences are resolved and so on. We concluded that we could build on the success of my first family meeting by using similar events to create our Family Constitution and as a forum for ongoing communication. Does all of this make sense to you?”

“Yes,” Julie answered, with a smile. “It not only makes sense; it is very familiar to me. My grandfather wanted to build a great heritage business that could be passed from generation to generation. However, he knew that very few families last forever without experiencing interpersonal drama and that the disruptive or even destructive power of conflict was magnified in a family-owned business.

“He didn’t use the terminology you just did of mission statements and constitutions, but he did develop a series of hand-written documents that laid out the principles and practices you described. When my grandfather retired and my father took over leadership of the firm, he formalized and strengthened those documents with language and structure that better suited the business at that time in its evolution. We used a family meeting to work through the process.”

“And those documents guide the management of your family business today?” asked Winville, who had quietly leaned into the conversation.

“Yes, they are reviewed every year at a family meeting organized for that purpose. When my father took over, he also instituted another process, called the Family Council.”

“That’s the meeting you chaired during your last trip?” Dave confirmed. “Can you tell us more about how it works, its purpose...?”

“Sure, it fits right in with the other documents you have described; however, it has a specific perspective, being that of the family rather than the business.”

“I am not sure I see the distinction in a family-owned business”, Jim admitted.

“Think of it this way,” Julie offered. “You said earlier that you created a Family Mission Statement to align with your Business Mission Statement. Think of a Family Council as a way to allow individual family member’s interests to be aligned with your more broadly-based Family Constitution.”

“So how would you describe what a Family Council does?” Jim asked.

“Much of its purpose and value,” Julie offered, “is to promote communication within the family. In our case, we offer it as a sounding board for family members to share their personal objectives, concerns and ideas without fear of reprisal or ridicule.

“Hey, I just thought of a real-life example that you will recognize — the British royal family! Recall all fuss when Prince Harry and his wife, Meghan, announced that they were going to ‘step back’ from royal duties to focus on their own lives. The uproar was heard around the world. As you may know, the British royal family is often called ‘the firm’ and Queen Elizabeth is referred to as ‘the boss’ behind palace walls. Every other person in the royal family, including senior members such as dukes and duchesses, like Harry and Meghan, have assignments and official functions as directed by the Queen.

“So, what did they do? They called a Family Council meeting to discuss Harry and Meghan’s future! They called it a family ‘summit’, but it was essentially the same thing — attended by Harry; his father, Prince Charles; his older brother, Prince William; and, no doubt, chaired by the Queen. I think Meghan actually called into the meeting because she was in Canada at the time. How’s that for real life? I wonder if she FaceTimed them?” Julie speculated.

“A great example, Julie, although with the benefit of hindsight, the royal family probably should have been having these family council meetings on a more frequent basis and might have ideally been able to address some of the current issues in advance with properly constructed Family Constitution.”

“That’s a good point Dave”, Julie chuckled.

“So how does the Family Council actually work within your family business?” Dave asked, anxious to hear more specifics.

“Well, of course, our Family Council meetings are not about such weighty topics as the succession to the British throne, although we do use them to help educate the next generation in areas such as family dynamics, ownership, financial stewardship and philanthropy.

“Hmmm, now that I think about it, those are the same things the royal family was talking about. Maybe we aren’t so different from them after all. I could be a good Queen!”

“No doubt about that!” Jim remarked as everyone enjoyed the joke.

“But more seriously,” Julie continued. We presently have four members — me, my brother, his son who is also employed in the business, and an uncle, who is retired from the business. We rotate the ‘chair’ every year and change up members as frequently as makes sense for a business of our size and complexity.”

“That’s a good point, Julie”, Alan jumped in. “We have corporate clients with extensive multi-generational family participation that have up to ten members on their Family Council and they not only rotate the Chair, they stagger terms of the members. The important thing is to have the interests of various family factions represented by their peers.

“In fact, some families we work with have too many people to practically include them all in Family Council meetings, so they invite all family members to a Family Assembly every once in a while, to bring everyone up-to-date.

“Sorry, Julie, I didn’t mean to interrupt. It’s the lawyer in me coming out – gotta tell you everything I know!”

“No problem, Alan. We understand!” Julie said with a mock condescending tone. Everyone laughed.

“So, what gets discussed at Family Council meetings?” Jim asked.

“Well, when we first started having these meetings,” Julie responded, “we used to remind those in attendance of the family and business values and history so that everyone was aware

of how the family and business had evolved to their current state. Unless we have new family participants or new important information, we don't need to do that so much anymore.

"So, now we present an overall view of how the business is doing, as well as the short and long-term plans for the future. We want everyone to have a sense of the business leaders' vision and expectations.

"That often leads to a discussion of employment and career opportunities for family members and current thinking with respect to management and ownership succession. If the timing is right, we also talk about establishing education trust funds for the children and grandchildren, as well as the community and philanthropic activities that the family and the business support."

"Do those discussions ever get heated — you know with competing interests?" Winville asked.

"Yes, from time to time they do, but that is exactly the purpose of the Family Council — to provide a safe harbor for family conflict resolution."

"And do you, as Chair, ever have to make a final decision on contentious issues?" Winville continued.

"Again, the answer is 'Yes', however, our experience is that many of these issues resolve themselves when all sides are presented in an environment where people feel they are heard, and their point-of-view is thoughtfully considered. For situations where the path to resolution is not apparent, the Family Council members will actually vote on the matter. I'm not saying we can resolve every family conflict through the Family Council, but I can say that we have settled many family differences for the overall betterment of the business.

"We keep all family members informed about the meeting date and we ask them to submit topics for discussion in advance. We prepare an agenda, which we circulate, along with any meeting materials in advance of the meeting.

"We also produce Minutes of the meeting, which we share with everyone following the event. Participants are encouraged to provide feedback on any topic raised in the meeting in writing or in private, if they prefer."

“Sounds like you have a pretty formal process for this,” Jim observed.

“It sounds more formal than it is,” Julie responded, “and it has become less formal as people have become more familiar with the process. We remind everyone that the purpose of the family council meetings is to share information about the family business with the broader family to keep them informed of how the business is doing, where it is going and the role of the family in it.”

“The Family Council’s mandate is limited to family issues and the meetings are not intended to make day-to-day business decisions or final conclusions on operational issues such as leadership succession.”

“So, there you have it. Now you know more about me than you ever wanted to, and I admit, more than I ever intended to share,” Julie concluded with a laugh.

“Well, thank you, Julie, for being so open and instructive,” Dave said. “As I suggested earlier, it is extremely timely, particularly for Jim, who is trying to bring a higher level of governance to his family business. You may well have saved him a lot of time, effort and anguish. Right, Jim?”

“Absolutely!” Jim replied. “I am in your debt for bringing a lot of what Dave and I have been talking about together into a cohesive structure, based on your real-life experience. And for that, I would like to buy ‘the Queen’ a glass of her favourite wine!”

“I accept, Kind Sir” Julie said, “and will use it to toast Lord Winville, our guest of honour!”

### SAMPLE

## DRAFTING A FAMILY COUNCIL MANDATE

### Outline

- Principal Sections and Key Points
- The amount of formal organization that is useful for a family depends on the size of the shareholder group and the complexity of the enterprise.
- A Mandate should define the common purposes that family owners share, the purposes of the Council and have guidelines sufficient to keep meetings focused and productive

A typical Mandate contains the following sections:

1. **Purposes**
  - Purpose of the Family Council
  - Who the Mandate is for
  - Purpose and Scope of this Mandate
2. **Mission of the Family as Business Owners**
3. **Guiding Values of the Family as Owners**
4. **Role of the Council in Our System of Governance**
  - The Council's Relationship to the Board of Directors
  - The Council in Relation to the Shareholders
5. **Council Decision Making**
  - Types of Council decisions
  - Methods and procedure of voting
6. **Council Membership**
  - Members of the Council (who is a qualified member?)
  - Expectations and Responsibilities of Voting Members
  - Election of Council Members
7. **Procedures**
  - Meetings – frequency, quorum, budget
  - Council Leadership
  - Minutes
  - Method for adopting and amending this Mandate
8. **Policies of the Family (optional)**
  - Family member employment policy
  - Conflict resolution policy (e.g., use of the Council as forum to discuss and resolve owner conflicts and build consensus, agreement to use outside mediator if needed.)
  - Confidentiality policy



## RESPONSIBILITIES OF FAMILY COUNCILS

- Build and maintain the understanding of family values, family unity, and business success of family members
- Build and maintain effective personal and professional development programs for all family members in their chosen fields of endeavour and particularly for family members interested in participating in governance and management of family enterprises and family investments
- Celebrate family and embrace life, personal joy, shared fun, and celebrations as foundations of individual and family identity
- Nominate qualified family members to be directors and in other governance positions of the family council, the family business and family foundations
- Establish benchmarks and measures of accountability for performance of family businesses, investments and foundations
- Address in an effective manner the difficult issues of transitioning family leadership across generations
- Develop a long-term strategy for diversification of family assets
- Define the responsibilities of a family office
- Establish, maintain, and oversee a coordinated parallel strategic planning process for family enterprises, family foundations, and family council
- Serve as an effective communications link between the family and boards of directors of family businesses and foundations assuring that directors understand family objectives and that the family understands the extent to which family objectives are achieved
- Evaluate the performance of the family council
- Establish and maintain an effective succession plan for key family governance positions, including board chairs of family businesses and foundations as well as family council chair and board positions
- Create a means by which the family history and institutional knowledge of past and present family leaders may be easily accessible to all family members
- Speak for the family on matters affecting family values, family unity and business success; communicate decisions of the family council to family members and the board of family businesses and foundations
- Serve as the entity where all family members can share personal objectives, concerns and ideas with reference to matters affecting family values, family unity and business success
- Foster opportunities for all family members who wish to participate to contribute in some way to overall family welfare
- Appoint family council committees and committee chairs
- Adopt policies governing council conduct and establish the family's overall direction

Source: John Ward, 2004. The Family Business Advisor, Volume XIII, Issue 1.

**SAMPLE**

**XYZ GROUP  
FAMILY COUNCIL CHARTER**

The Letter family recognizes that the values, ideals, pride of ownership, history and sense of purpose the Letter family brings to the XYZ Group are a source of strength and energy for the business. The stronger our family is, the greater the prosperity of our business. Therefore, we have established the Family Council to help ensure our family remains cohesive and focused. By establishing this structure and providing a regular forum for open communication, it is our hope that misunderstandings and conflicts can be avoided, relationships can be nurtured and the family can continue to work effectively towards the common goal of {...building a legacy for future generations}{OR ...ensuring the success of the business} {OR ... other goal}.

The following structure is adopted:

**Membership**

All members of the Tom Letter and Fred Letter families shall be members of the Family Council.

OR

Membership will be comprised of two representatives from each of Tom Letter and Fred Letter's families.

OR

Other composition

**Governance**

A Steering Committee, comprised of <#> members elected by the membership shall oversee the Family Council and ensure its responsiveness to family concerns. Steering Committee members shall serve for a 2-year term. Terms may be served consecutively.

The Committee's responsibilities include planning and organizing family meetings, identifying family issues and concerns to be considered at Council meetings, ensuring effective communication at meetings, and ensuring appropriate follow-up action after meetings.

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### Meetings

Meetings of the Family Council will be held at least annually. The Steering Committee will meet at least quarterly. The Steering Committee will be responsible for calling additional meetings of Council and Committee as the need arises. All members of Council shall be entitled to reasonable notice of all Steering Committee meetings and shall be welcome to attend meetings of the Steering Committee. Quorum for meetings shall be a majority of members. All decisions shall be made by {majority (define majority)} {OR consensus}. This means that no member of Council or Committee (as the case may be) will disagree with any decisions made (though there may be abstainers, or undecided members.) Where there is a stalemate that cannot be resolved, the issue will be referred to the Issue Resolution Committee [or describe alternate method of dispute resolution].

### Annual Retreat

The Steering Committee will be responsible for organizing an annual Letter Family retreat, to which all Letter Family members will be invited. The purpose shall be to encourage family togetherness and communication in a relaxed and entertaining setting. The annual meeting of the Family Council may be held at this retreat.

### Responsibilities

The Family Council shall be responsible for overseeing the growth, development and welfare of family members. It shall consider personal, family financial and investment issues as they arise and will provide a forum for dispute resolution where necessary. It will communicate family concerns and issues that impact the business and provide input to the Board when and as requested. The areas for which the Family Council is primarily responsible, and the areas for which it will provide input to the Board and/or management, are outlined on the attached documents.

### Standing Committees

The following shall be standing committees of Council:

1. Policies Committee. The Policies Committee shall be responsible for introducing, reviewing and amending family policies and plans, in line with the Letter Family vision and mission statement (e.g. Cottage sharing policy; Domestic Agreement Policy, etc.)



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2. Family Participation Committee. The Family Participation Committee shall be responsible for considering any issues that arise in the application of the Family Participation Plan, and for initiating and adopting any additions or revisions to it.

Members of the Family Council shall elect members of committees through majority vote. The Steering Committee shall be responsible for identifying the need for additional standing and special committees and organizing membership and functioning.