

## The Purpose of The Family Council

by [Paul Andrews](#) June 2, 2018

Families in business are unique. While similar to any public corporation competing in the market place, they are fundamentally different in one important and vital regard...their family. Dean Fowler looks at some of the challenges and how a family council might help.

As owners and managers, family members – a passionate group – have the power to shape the future success of their family enterprise. The power and cohesive unity of a family provides a distinct strategic advantage to family enterprises – so much so that they outperform the Fortune 500 – with higher profitability, deeper personal passion in their products and services, and more “patient capital” provided by continued family investment in the business.

A recent study of successful multi-generational businesses conducted by JPMorgan Private Bank, concluded that the cornerstone for preserving a family legacy across the generations was effective family governance – a process to balance the passions and ideals of the family with the goals and objectives of the corporation. I call this governance process The Family Council. The purpose of The Family Council is to nurture and sustain healthy family relationships while promoting responsible, committed, and active stewardship of all the family’s assets including its legacy of values.

For successful multi-generational family enterprises, The Family Council is the crucible in which the hard realities of business and the soft complexities of the family are blended into a coherent vision for the future.

This ongoing process of creating cohesion and unity involves four major facets (ingredients) which are outlined below:

**Powerful vision** — To maintain continuity across the generations, the family must develop and communicate the central values and purposes that empower the family legacy. The shared vision becomes the cornerstone for enhancing effective communication among family members to build strong relationships through trust and respect. For example, just prior to his recent death, Sam Johnson produced an extremely powerful movie that captured the core values of the business and the dynamics between himself and his father. One of my clients wrote a history of the family showing how the values of the founders have been embodied in the fabric of the family and the corporate culture of the business.

**Educational development** — Future generations must be prepared for their roles and responsibilities as family members and responsible shareholders in the business. In addition, the competencies and strengths of family members must be nurtured through both formal and informal educational opportunities. For continuity, the spirit of stewardship of the family legacy and the family assets must be nurtured in the next generation. Beyond college or graduate school, successful families involve the next generation in the critical issues facing the business, or the family foundation, as a learning opportunity.

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**Balancing family and business** — The Family Council provides strategic level guidance to the Board of Directors and/or the management team on issues that impact the direction of the business or the family foundation. For example, how will the core values of the family determine the types of business ventures that should be pursued? During times of inter-generational transition, in particular, the family must lay the basic criteria for the succession process. Should a family member lead the company? The Family Council also establishes the basic rules and frameworks for managing the employment of family members in the business.

**Responsible ownership** — As shareholders, family members must work together to create the necessary legal structures defining their mutual relationships as owners, as well as their appropriate roles in controlling the family business, foundation or other family assets. In addition to designing the primary frameworks for their legal shareholder agreements, including liquidity strategies, formal governance of the corporation, and commitments regarding future investment risk must be addressed for long-term success across the generations. The initial work of The Family Council involves the creation of a comprehensive Family Constitution in order to reinforce the family's commitment to function as a family, to foster the growth of the business and to assure the ongoing investment in the future of their enterprise together. The family constitution addresses such topics as policies on employment, retirement, and compensation of family members; the purpose, vision and mission of the family; the core values of the family that are the ethical compass for the business; guidelines and procedures for decision making, and finally issues concerning stock ownership, liquidity, and family philanthropy.

The ongoing work of The Family Council uses the framework of the family constitution to deal with the complex issues that emerge both within the family, and particularly, the dynamics between the family and its ongoing ownership in the family enterprise.

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