Family Councils:
A Practical Guide

By Peter Leach

FAMILY
BUSINESS
UK

ABOUT THE AUTHOR

Widely regarded as 'the founding father' of family business thinking in the UK, Peter Leach has more than 30 years' experience as a family business advisor, teacher and facilitator, and has worked with more than 150 multi-generational families across the globe.

He is Adjunct Professor in Family Business at Imperial College Business School in London, Special Advisor to BDT & MSD Partners International, and a Fellow of the Institute of Chartered Accountants in England and Wales. Peter is also the author of *Family Businesses: The Essentials,* published by Profile Books.

CONTENTS

FOREWORD

One of my favourite expressions is "once you've met one family business, you've met one family business". Part of what makes each one different and special is how each family answers the question, 'where are the boundaries between our family and our business?'

Family councils are a vital element of good governance within the structure of family businesses. Made up of family members, family councils form a vital connection between the family and the board. Set back from the day-to-day running of the business, their purpose is to ensure the values and opinions of the family are properly considered by the board and appropriately reflected in executive decision-making and the day-to-day running of the business.

But a family council goes beyond this. It serves as a vehicle for educating family members about their responsibilities, it can help resolve family conflicts and play a central role in succession planning, ensuring a seamless transition of the business from one generation to the next.

Consequently, set up and managed well, family councils can foster effective dialogue and decision-making, promote stronger family relationships and help ensure the long-term sustainability of the family business.

As this guide makes clear, the process of setting up a family council needs careful thought and consideration, and once up and running its task is never complete. As the business grows and evolves, so too must the family council. And, whilst it is never an executive decision-making body, the family council is essential to the long-term success of the business.

The purpose of this guide is to provide practical advice and support for any family business looking to establish an effective family council. I hope you find it a useful resource and aid in making the most of an important component of family business leadership and governance.

"Family councils are a vital element of good governance within the structure of family businesses. Made up of family members, family councils form a vital connection between the family and the board"

Neil Davy,
CEO, Family Business UK

INTRODUCTION

Family business: a paradox?

Family businesses represent an intriguing collection of paradoxes, with the family connection in these businesses often a source of both strength and weakness.

On the plus side, potent founding values can foster a unique internal atmosphere at the company, creating a sense of belonging and enhanced common purpose. This helps the business to project a strong external identity and generate significant competitive advantage. Family firms can also adopt a long-term perspective because, mindful of the idea of stewardship, they see themselves building a business for future generations.

But there are also risks associated with this type of company. Family emotions can interfere with commercial decision-making, and everyone has to work hard to counter dangerous tendencies towards introversion and secrecy. Tensions can arise in the family, particularly between those working in the business and those who are solely shareholders, while ownership and management succession is often characterised by tension and conflict.

As with all such paradoxes, the contradictions they embody cannot be eliminated or 'solved'. All that can be done is to try to balance the forces at work and to manage the tensions they create. To add to the complications, family businesses never stand still – they are constantly in a state of flux as the balance of interests, and the needs of individuals and the enterprise, evolve and grow.

Growth and the need for governance

Ownership of family businesses tends to progress through a sequence of stages, reflecting the generational change and expansion of the owning family. In this guide, we will refer to the basic three-stage life cycle model, originally formulated by Professor John Ward:

- **Founder-led business.** How most family businesses start life, typically with one or two individuals – the founders – having voting control and making the key decisions. Governance is seldom high up the agenda at this simple stage (boards of directors, for example, being more likely to be a 'rubber stamp' for the founder's decisions than having a serious role). Succession planning can represent a difficult issue for founders.
- **Sibling partnership.** With ownership and management transferred to the founder's children, governance complexity increases. Developing processes for sharing power and control among siblings and avoiding sibling rivalry are major challenges. A workable relationship, based on good communication and governance, needs to be established between shareholders who work in the business and those who do not.
- **Cousin consortium.** With succession to the third generation, governance complexity arrives with a vengeance. There is a well-established business and there may be several dozen family members directly or indirectly involved including children of the siblings, cousins and in-laws. Ownership may be in the hands of many cousins from different sibling branches of the family – each with their own perspectives – often with no single branch having a controlling shareholding. Governance challenges at this stage include agreeing unified family vision and values and setting family employment policies, shareholding rights and dividend policy.

In order to promote the long-term health and continuity of family firms as they grow through these predictable stages, it is necessary to establish a progressively more formal and systematic approach to family governance. Structures and systems must be developed to help manage the increasing diversity of interests and demands. Introducing these structures builds trust among family members, helping them to unite behind a common agenda to promote the sustainability of the business.

'Heart of the family'

Key to effective family business governance – helping families stay involved and informed – is the family council. In simple terms, this is a group of relatives who periodically come together to discuss issues arising from their family's involvement in the business. The family council is the strategic and organisational 'heart of the family' meeting to promote values, oil the wheels of family communication and help prepare and develop the next generation.

The family council's most important role is to provide a vehicle for open, constructive communication – important, because lack of effective communication is arguably the single biggest problem in family businesses.

Family members often shy away from sensitive issues affecting the business that they feel might generate conflict, but such concerns can only truly be resolved if they are addressed promptly, openly and explicitly – so when a family council works well, it represents an acknowledgement by the family that awkward issues won't get resolved by ignoring them.

Adaptability is the watchword

Securing good governance in a family-owned business is a continuous task. Establishing and operating a family council should therefore be viewed as a journey rather than a destination – it is always 'work in progress'. A mindset of adaptability is necessary at all times. There are no fixed templates, and every 'family' must design a system to match their distinctive circumstances and adapt as they evolve.

What is ultimately important is that family members feel comfortable with the governance process they have constructed, and that they understand the roles and responsibilities of each of the bodies, and their own individual roles and responsibilities within the system.

About this guide

This guide aims to be practical for any family wishing to set up or evolve its family council.

The structure of the guide reflects the life cycles of family businesses themselves – from simple to complex. A family council in a small-scale, founder-led business bears only passing similarity to that same body at work inside a multi-generational business with hundreds of shareholding cousins, so the guide covers both ends of the spectrum. Chapters 6 and 7 in particular focus on the journey towards growing complexity.

Looking at what actual families have done is often the best kind of learning, so we are hugely grateful to the two family council chairs who have all thoughtfully answered our questions and kindly allowed us to share their experiences as 'Inside View' case studies.

Finally, because this guide focuses only on the family council, there is a risk of creating the impression that it is the be-all and end-all of effective governance in family-owned businesses. While the family council is almost always a vital cog in a family business governance system, it is not the only component. Ultimately, the effectiveness of a family council may be judged on how successfully it interacts with other governance bodies in what should be a carefully designed, holistic and well-balanced system.

2. ESTABLISHING A FAMILY COUNCIL

Establishing effective family governance is vital if a family business is to remain viable across the generations. Family councils play a central role in this process, helping families find consensus on issues where the owners' wishes matter most.

Why have a family council?

The benefits of having a successful family council attach to both the family and the business:

- **Family unity.** Opening the channels of communication and separating the discussions from day-to-day family and business affairs allows family members to focus on positive aspects of family relationships, abilities and successes. There is a tendency in all relationships to allow problem areas to loom large. The family council is a platform for the family to correct this imbalance, to become comfortable in talking and debating and reaffirm their commitment to each other, to family values and to the business.

- **Business performance.** Family councils can create a mechanism through which the family can interact positively with the business, optimising the benefits that flow from family ownership in ways that provide extra business focus and motivation and, ultimately, the scope for competitive advantage.

In short, the benefit of having a family council is to *build effective collaboration and communication between family members to help ensure that the needs and interests of the family are addressed, while adding value to the business.*

At their best, family councils provide an open and safe space to plan and manage the family's relationship with the business. They help foster a sense of trust in managers and directors to oversee the family's strategic objectives, leaving the shareholders free to concentrate on building cohesiveness and a sense of shared resolve among the wider family. It is this strong sense of belonging and shared purpose that marks out the best family businesses, giving them extra energy and a competitive edge.

The family council is not a business decision-making body – rather, it is a forum to ensure effective communication between shareholders, the wider family and the board of directors.

Successful family councils, while being indicators of a positive family culture and a well-managed family business, can only ever be part of the answer. The other ingredients are clarity of vision and a shared determination to making governance bodies work, which means educated shareholders, strong leadership and a family-wide commitment to effective communication and collaboration.

Core objectives of the family council

- Improve communication between the board and the shareholders.
- Develop the family's responsible stewardship of its business.
- Foster strong, effective and healthy family relationships.
- Provide robust and flexible governance as the family extends and the business develops.
- Promote shareholder education that will underpin informed decisions.
- Create a cohesive shareholder and wider family grouping able to speak with 'one voice'.

Strategic intent

Not every family's strategic intent will be the same. In some, the strategic aims for the family council will centre on developing responsible family stewardship of the business; others will concentrate on ensuring effective shareholder governance; yet others may focus on promoting education in preparation for shares passing down to the next generation.

Whatever the agreed core objectives, the family council provides an organised way for family members to achieve them. The council's long-term work of building cohesion and unity usually involves four major ingredients:

- **Maintaining shared values and a strong vision.** A family business is an external manifestation of a family's value system, reinforcing what the family stands for and why its members are in business together. Family governance bodies – particularly the family council – provide a forum for debating and articulating these core values, and communicating them for the guidance of the board and management. This shared ethos underpins communication among family members and helps build strong relationships, giving a voice to family members who are not directly involved in the business (or maybe even in ownership). Family commitment in turn boosts business stability and performance. A family united behind clear values and goals provides a signal to management, employees and other stakeholders that family commitment is solid and for the long run.
- **Setting policies that balance family and business.** Among their other advantages, family businesses can foster a unique atmosphere that creates a sense of belonging, enhanced common purpose and improved commercial performance. The aim is to maximise these benefits and reduce the risk of family issues and emotions interfering inappropriately with business decisions. The family council therefore strives to resolve family differences and formulate clear ground rules on issues relating to the family's ownership of, and involvement in, the business. So it may develop policies on, for instance, family employment in the company, management succession and family interaction with the board of directors. The council can also work to promote responsible ownership, including rules governing shareholder relationships, dividend policy, liquidity strategies and attitudes to investment risk.
- **Guiding the firm's important business decisions.** Especially in more mature family businesses, there may be a need for the family council to provide clear guidelines to the board and senior management on strategic direction – for example, how the family's core values determine the type of business ventures to be avoided, or criteria that will govern the succession process. While family councils are not involved in day-to-day business decision-making, they can act as a bridge between shareholders and the board.
- **Educating family members.** The family council keeps family members (particularly those not involved in the business) informed and updated about major business achievements and challenges. It can organise formal and informal ways to learn about the family business, and educate the younger generation on the rights, responsibilities and privileges of business ownership, promoting continuity and serving to instill a sense of stewardship. Through education, the council aims to build a knowledgeable and cohesive shareholder group that can make informed decisions and speak with 'one voice' as the family extends and the business develops.

Building the foundations

Successful families in business tend to be those who:

- Define their roles and responsibilities as family members.
- Adopt written policies and rules covering critical areas, like involvement of family members in the business, management succession and share ownership.
- Establish organised procedures and a formal framework for transparent communication, policy-making, and the ability to achieve consensus decision-making and the management of differences.

While it is important to be flexible, the foundation of effective family governance is usually a written document – a family constitution or charter – that records the family's purpose and vision, values, relationship with the business, guiding principles, and governance structure whose operations, rules and policies bring discipline and accountability to family deliberations. The constitution is a statement of moral intent rather a legally binding rulebook, although it will usually sit alongside legal documents, e.g. shareholder agreement.

As to the best order of events, families sometimes set up a family council first, and then assign to it the task of drafting the family's first constitution. The drawback of this is that the family council is designing the governance structure of which the council itself will be a part.

A different, and often better, approach, is for the family first to establish an interim committee that it tasks to draft the constitution, and then, once the terms of the constitution are agreed, form the family council to take its place as part of the planned, coherent governance framework codified in the constitution. In its ongoing work, the family council may then use the constitution as a framework to help manage issues as they emerge.

In many ways, it is the process that is the most important element – the thinking about what is needed and why. Even if all family members do not agree on every question, they should at least feel they have a voice in the process. This will help provide the best chance of everyone buying into the eventual outcome.

Role and functions

No two family councils are the same, so the list of roles and functions below is intended to be illustrative only and is best understood as a menu of items:

FAMILY COUNCIL ROLE AND FUNCTIONS – AN ILLUSTRATIVE LIST

Purpose and meaning

- Considering the question, 'Why are we in business together?'.
- Transmitting family values, vision and culture through the business and family.
- Celebrating the family's achievements, traditions and history.
- Fostering family inclusivity (especially through inducting the next generation).
- Refining and articulating the family's long-term plan.
- Socialising, bonding and having fun together.
- Organising family philanthropy.
- Managing the preparation and updating of the family constitution.

Family ownership

- Defining share ownership policies.
- Understanding estate and ownership transfer plans.
- Reviewing the rights, responsibilities and roles of all family shareholders.
- Clarifying the rights of shareholders to income from the business.
- Providing a communications link to the wider shareholder base – disseminating information and answering their questions.
- Defining the family's investment risk and borrowing / leverage policies.
- Setting and reviewing targets for business growth and investment returns.
- Drawing up transparent ownership succession and continuity plans.
- Managing family assets.
- Agreeing policies (and funding) for exit routes.

Education and development

- Learning about family business issues, business issues, and the rights, responsibilities and privileges of family ownership.
- Facilitating the qualifications and experience required for employment.
- Supporting young family members (e.g. scholarships).
- Promoting personal and leadership development.
- Encouraging improved family communication skills and habits.
- Planning family activities for education and relationship building.
- Problem solving and managing differences – building mediation skills.

Relationship with the business

- Defining the nature and extent of family participation.
- Ring-fencing issues that should not interfere with business 'functions'.
- Building a unified family voice when speaking to the business ('one voice').
- Promoting employment policies based on merit and company need.
- Agreeing board service policies – criteria for selection of family and other members.
- Planning and preparing for management succession.

Decision-making and leadership

- Opening up the business to outside professional influences.
- Providing a bridge between family and management / the board.
- Communicating the family's strategic imperatives to the board.
- Reviewing and coordinating the work of family council committees.
- Drawing up a family 'code of conduct'.
- Reviewing family council operations, objectives and the code of conduct.
- Coordinating with other family governance bodies.

Timing

The decision as to when to launch a family council usually boils down to a question of need and numbers. A first-generation entrepreneur working alone does not really amount to a family business, but as soon as the next generation is on the horizon (or if, say, three siblings start a first-generation company) then the enterprise assumes family business characteristics that make establishing a family council a viable step.

It is important, whenever possible, for family councils to be established while there is family harmony. This enables the family to focus on the future in a calm, unemotional atmosphere, to design their council so that, in more stressful times ahead, it will work efficiently in everyone's best interests.

Some families historically find it awkward to talk about delicate subjects in the formal setting of a family meeting. In the early days of their business, informal family meetings are the preferred option – say, over a weekend lunch – to discuss family governance issues, usually with incomplete and frustrating results. Setting up a family council can therefore be a turning point in the life cycle of many family businesses, marking their decision to adopt more structured processes that will be more effective over the longer term.

3. WHO DOES WHAT

Membership

Deciding on membership of the family council is an area where it pays to be flexible. Some prefer to limit inclusion to family members who are active in the business. However, especially with a young business where the family are transitioning from informal family meetings to their newly established family council, the general rule is that the council is most effective when both active and 'passive' family members are included.

All family members, whether directly or indirectly, have a stake in the business – and it is therefore best if everyone is involved from the start. The objective, after all, is to establish a unified and cohesive *family* approach to the business.

For smaller families, especially at the founder-led and sibling partnership stages, the council might well comprise all the family shareholders. Once family businesses mature into a cousin consortium, they are forced – by numbers and diversity – to a more representative system under which some family members are empowered to make decisions on behalf of others. Laying down rules and guidelines on how representatives are chosen to serve on the family council (and on other governance bodies) may raise some hard questions.

Options for choosing family council members in multi-generational families include open election by secret ballot, volunteers only, outgoing seniors picking their replacements, and family branches choosing a representative for their 'branch seat'. Each of these options has its pros and cons: the efficacy of any particular method depends in part on the size and structure of the family, and how good they are at communicating and arriving at consensus. Practical questions to be addressed are set out in the table opposite.

Flexibility is key: there are no hard and fast rules when deciding on appointment policies. The guiding principle is that family council members and the procedures by which they are appointed must be accepted by the great majority of the family; if the family council is seen by some as a body serving the interests of one or two family cliques, rather than everyone, it will probably be divisive and ineffective.

Council membership: Some key questions

- What age do you have to be to be eligible to join?
- Do you have to be a shareholder?
- Should there be representation from each different branch of the family?
- What's the correct balance on the council between family members who work in the business and those who do not?
- What are the desired qualifications and skills of family council members?
- Should we favour candidates with a business background?
- What's the best approach to maintaining a balance based on family generations?
- If we adopt an electoral process, what are the eligibility criteria for candidates? For example, should they each require the backing of a certain minimum percentage of the share capital?
- Is there a maximum term, or an upper age limit for serving on the family council?
- Should membership rotate, and if so, what's the rotation period? (Shorter periods allowing more family members to take part can counter 'governance fatigue', and also contribute to a feeling of fairness.)
- Should we admit certain family members in a non-voting capacity? In particular, this can be an opportunity to engage next-generation family members who might attend as observers, to listen and learn.
- Should we sweep away many of these questions and simply seek out the best people for the job?

Managing the expectations of potential candidates is also important: as well as attending meetings, members may be expected to take on a specific responsibility, e.g. education or communication. Sometimes, family members do not anticipate the scale and significance of the role they will be taking on – so it is important to clarify this upfront, well as the time commitment that is likely to be involved.

Spouses

A difficult question is whether or not in-laws should be eligible to join or be represented on the family council. Many family business people start from the position that spouses ought to be excluded from family council deliberations, or at least those deliberations involving business and financial issues. They usually say having spouses at the table would inhibit family discussion and reduce the effectiveness of the family council.

But if a core feature of family councils is to help the family speak with one voice, it follows that they must be inclusive bodies. The aim is to foster a spirit of openness and unity in the family. It therefore may make sense to encourage in-laws to exert their influence directly rather than behind the scenes. Excluding spouses from participation in structures designed to represent the wider family may have a corrosive effect on long-term relationships.

The family council chair

The family council (or the wider family) should elect a chairperson to lead the council's work. It is the chair who tends to be the driving force for ensuring open communication channels open with the board and the wider family.

The chair should be an individual whose leadership is respected and who has a talent for running meetings, building consensus and resolving differences. Indeed, the chair tends to act more as a diplomat and facilitator rather than decision-maker because the family council, by its nature and membership, is a participatory body in which all members are required to play a meaningful role. Before a leader is chosen, it is useful to draw up a profile of the duties and qualities needed in the role against which to evaluate candidates (see table below).

Because one of the roles of the family council chair may be to challenge executive management on behalf of the family, they should not be the same person who leads the business. Following a succession event, however, it can be a sound idea for the former business leader (in younger companies, this may well be the founder) to move from company CEO to become chair of the family council. This highlights the transitioning role of the family council, in this case providing the exiting CEO with continuing involvement.

Age, however, should not be a decisive criterion, and sometimes it pays to appoint a younger person as chair of the family council. There are a number of examples of families who have allowed their council to be run by a younger candidate, able to bring more energy and dynamism to the role, and sometimes fresh thinking on the needs of the wider family.

LEADERSHIP RESPONSIBILITIES OF THE FAMILY COUNCIL CHAIR

- The chair's primary functions are facilitatory, but they do have a tangible leadership role to play in the following three areas:

Responsibility to shareholders

- Representing the interests of shareholders in discussions with the board of directors.
- Promoting the aims and values of the shareholders as responsible owners.
- Communicating shareholder views about strategic matters to the board.

Responsibility to the family (including non-shareholders)

- Keeping the wider family harmonious and united, and representing their interests in discussions with the board of directors.
- Making the board aware of family issues that might have a significant impact on the board's business decisions, current or future.
- Engaging the board in ongoing discussions about family perspectives concerning their relationship with the business.

Responsibility to the board of directors

- Communicating the board's business strategy to shareholders and wider family.
- Ensuring the board understands the family's relationship with the business.
- Communicating to the board any relevant decisions or questions from the family.

Occasionally it may be appropriate to recruit an outsider as the family council chair. This may apply if there are no suitably skilled candidates from within the family; or as a catalyst during the important formative period when a council is first being set up; or if there are serious issues arising that family members are having difficulty addressing; or if there is a dispute and the family is unable to agree on who should be chair.

As well as a chair, some families also like to appoint a family council vice-chair so that succession is in place within the family council. However, it is important to be aware of the significance (actual and perceived) of this decision, especially where the chair of the family council is traditionally also deemed 'head of the family'.

External facilitators

Families sometimes engage a family business consultant to facilitate decision-making at family council meetings. The facilitator takes charge of meetings, helping to focus and coordinate contributions, and making sure everyone has their say and that they are listened to. There has also been a recent trend to involve main board non-executive directors in some key family council meetings, often with the job of 'oiling the wheels' of communication or resolving conflict.

Most family councils report that facilitation is useful, especially during the early years, although a facilitator may also be engaged later to help guide the family council through a major transition or a succession. Family business consultants can probe difficult issues and develop discussion of problem areas in a sensitive way that minimises the possibility of family friction or confrontation.

Consultants and other outside experts are also occasionally asked to address meetings of the family council, delivering educational sessions on topics of interest to members.

Secretariat

Depending on the size and scope of the council, it can be useful to appoint a permanent family council secretariat to organise day-to-day administration, keep a record of what is said at meetings, and to circulate the minutes, agreed action points and reports to the wider family. Companies with successful and effective family councils often emphasise the crucial importance of a good secretariat for coherence and continuity.

4. MAKING IT WORK

Authority of the family council

When a family council is first established or restructured, its mandate and terms of reference must be defined and approved by the family. In larger family businesses, the family assembly may delegate responsibility for this task to a specially appointed committee.

It is often a good idea for the family council to have its own ‘charter’ setting out the governance principles and procedures that will guide its role, staffing, behaviour and operations, together with role descriptions for individual council members. Such a rulebook might also contain provisions and mechanisms by which the council holds itself formally accountable to the family at large.

These stipulations concerning the terms of reference and procedures of the family council should be included in the family constitution and, as with other constitutional provisions, should be reviewed from time to time in order to ensure they remain relevant as the family and the business evolve.

While the council typically has no formal, legal mandate, it plays a critical role helping the family to speak with one voice to the board. It follows that, on establishment, family councils should take on as much responsibility as possible so that they start from a position of maximum authority. There is often a temptation to delegate some issues, such as succession or communication, to family members working in the business, but this may risk the family council declining in status or vitality.

Funding

As well as terms of reference and a charter, the council should be provided with a budget and (possibly) support staff appropriate to the significance of its role. This will serve to encourage interest, increase accountability and ensure the family council has its own independent means to help it produce tangible results.

The family council and its committees should prepare formal agendas, minutes and records of their activities and decisions, and reports should be generated to be sent by the committees to the council, and by the council itself to the family assembly.

Securing the services of an independent secretariat to handle this helps to ensure a more efficient and successfully run system. The council secretariat is usually funded out of company profits, but where some family members do not own shares this can lead to questions of fairness. Per capita dues may be a way around this, or charges on the basis of services used, although both these options generate administrative complications.

Another funding question is whether family council members themselves should be paid for the work they do, or are the intrinsic rewards of their role sufficient to secure their motivation? Their commitment can be significant, especially in larger families, depriving them of other income-earning opportunities, and paying family council members also sends out a signal about the importance of their work. Whatever decision is taken, there may be a stronger argument for paying the chair of the family council, and for providing them with an office and travel budget.

Meetings

Families who are establishing a family council for the first time can find the structured nature of council meetings strange because they are more used to the informal style of family gathering that is more usual at the owner-manager or early sibling partnership stage of the business. Creating (and sticking to) an agenda for each meeting helps family councils work effectively and should become part of the family's routine as the concept takes root.

The frequency of meetings will depend on the life-cycle stage of the family business, and on the number and urgency of issues facing the family. Typically, family councils meet between two and six times a year, sometimes synchronised with the board of directors' meeting schedule in order to maximise communication opportunities and fit in with diaries. Even if there is no such synchronisation, the family council chair should coordinate the meeting schedule with the CEO and relevant family board members.

Meetings should be 'semi-formal' in style, reflecting seriousness of purpose tempered by operational flexibility. It is important that a supportive atmosphere is created in which family members feel comfortable expressing their views. Rather than forcing through arguments or 'winning the day', the focus should be on understanding fellow members' feelings and perspectives, and seeking out consensus. Not every item on the agenda needs to be deadly serious, however, and enthusiasm and effectiveness often benefit from a balanced mix of important business items alongside more light-hearted family proposals and projects.

Family councils should draw up agreed ground rules specifying what should and should not happen ahead of, at and after their meetings. Whatever rules are developed should be specific to the family rather than off the shelf, as this will mean they are more likely to be adhered to. Some families back up ground rules with sanctions. This can be organised in a fun way – like £50 in a charity pot from anyone breaking the rules – but it has a serious point.

Example ground rules for family council meetings

- To help minimise distractions, meetings should take place away from home and the business.
- Include a 15-minute session before each meeting for catching up and reconnecting.
- Circulate an agenda in advance – and stick to it.
- Circulate minutes within one week of the meeting taking place.
- Meetings always start on time – everyone should be there, no-one should leave early.
- Anybody can call a 'time out' for bad process, like excessive interrupting, personal attacks or bad body language.
- No electronic devices during meetings.
- Have breaks at least every two hours.
- Stop the discussion if a council member leaves the room.
- Members should actively listen and ask questions to make sure they fully understand what colleagues are saying.
- Have a 'parking lot' for issues that fall outside the agreed agenda or need more thought. (Having a written list can also provide a neutral way to raise issues that people might find difficult to elaborate on out loud.)
- Acknowledge and celebrate successes.
- Before the meeting ends, evaluate the effectiveness of the meeting and discuss ways future meetings could be made more effective.

Decision-making

Research shows that successful families are good at problem solving, and one of the first things a family council has to do is to 'agree how to agree' – in other words, how it will make decisions.

In its formative stages, when the family council is often dealing for the first time with important topics on which there will be strong feelings and differences, it may be appropriate to consider appointing an impartial person from outside the business and family to act as facilitator. The facilitator will help the family to discuss the issues in an informed and systematic way, and guide family members to find consensus. A facilitator should also ensure that accurate notes are taken of everything discussed and decided, because 'selective amnesia' is common among family business people.

A good starting point for a new family council is a series of residential retreats, with relatives gathering in a quiet environment away from the everyday surroundings of job and home and led by a facilitator. A non-confrontational atmosphere will help everyone to discuss their future in a constructive way.

It is best to start by focusing on doing a few things well. Many family councils make the mistake of taking on too much too soon – often conscious of a backlog of issues awaiting the newly formed group. In due course all the serious governance topics (family jobs, remuneration, retirement, succession, share ownership etc) will make it on to the agenda, but the first few meetings should be more of a 'warming-up' exercise, with members reflecting on family and business history, agreeing on the values the family brings into the business, getting used to the new governance procedures and possibilities, and building trust ahead of tougher, often more emotional discussions to come.

Important substantive issues to be considered early on will be defining the objectives of the council and drawing up a written mandate for approval by the wider family group.

Voting

The family constitution or family council charter will provide for a decision-making mechanism. This is typically a majority vote of the council's members – using one person, one vote, or in accordance with shareholding – but this should be regarded as a last resort. The golden rule is to try to avoid arriving at a situation where the family council needs to vote because, ideally, it should always operate on a consensus basis.

The council is usually not called upon to make business decisions, but an exception arises in relation to 'big-ticket' items – i.e. strategic, long-term issues on which the family legitimately has the final say (see chapter 5, page 21).

On these reserved issues, if there is no clear consensus among council members (who, ahead of the meeting, will have consulted with the wider family and shareholder base), it is appropriate for there to be a vote, preferably per head by show of hands. Before the vote, however, it is good practice to have a break to provide a chance for more informal discussion, and then to go back to the meeting. It may be that this will have helped a consensus emerge, but even if it has not there will at least have been a pause for reflection ahead of a very important decision.

"Mum will decide"

An illustration of how a family has to 'agree how to agree' concerns a long-standing and profitable clothes retailer where ownership was divided between a mother and her six children. The mother owned 76 per cent and the second generation (G2) each owned 4 per cent. "Mum will decide things, whatever we do or say" was G2's resigned attitude when they turned up for the first meeting of their newly established family council.

The mother was prepared for this and announced that, while she hoped the council would never need to come to a vote, if it did, it would be on the basis of 'one arm, one vote'.

Suddenly, the family council became a meaningful forum for all the G2 members.

Obtaining independent advice

Sometimes, the family council may decide it needs to seek independent legal or financial advice, preferably on a confidential basis without the board of directors knowing, but this is a sensitive issue because it risks undermining executive management. It is clearly appropriate for the council, as stewards of the family's investment in the business, to seek confidential, independent advice on certain issues – like personal development and personal taxation – but in some cases, it risks being destabilising. In order to minimise this risk, the best solution is generally for the family council to be open and always inform the board as to what it plans to do.

If the family council keeps its plans secret, there is a chance it will receive advice that conflicts with board policy. Also, the council may not fully understand some of the intricacies of the business and would therefore be taking advice in a partial vacuum, which can also be dangerous.

A transparent, collaborative approach is best, with the family, board and management encouraged to focus on common objectives. Some families have a memorandum of understanding to govern the family council's relationship with the board (see chapter 6, below) and this could identify the scenarios in which family owners may require independent advice. When such a scenario arises, the family should ideally approach the chair of the company board before taking action, so that where possible the family and the board will seek advice together.

5. RELATIONSHIP WITH THE BUSINESS BOARD

Interplay between the family council and the business board

In non-family enterprises, the responsibilities of the board of directors centre on maximising shareholder value, but in family businesses the directors have the extra area of responsibility to understand the family's relationship with the company, mediate its influence on the firm and help ensure that the family's reasonable long-term goals for the business are met.

In smaller family firms , the board typically comprises family members only. As the company expands, it should begin recruiting experienced outside directors. In the best multi- generational businesses, the majority of directors are usually non-family, and the family shareholders themselves only have one job – which is to back their board of directors, unless they cannot work with them, in which case they have the right to remove them.

Legitimate concerns can arise about how the family council should define its role and remit in a way that avoids interfering with the board's recognised functions, and how, and to what degree, non-family directors and family shareholders should interact.

Differing opinions arise about the appropriate interplay between these two bodies, especially where one of the difficult challenges for mature family businesses is their need to attract high-calibre directors to help take the business forward. Talented candidates may well be put off joining a business where the family lays down rules and is perceived as over-involved in strategy development or operational matters.

Reserved matters

Reserved matters are those strategic, long-term issues on which the family shareholders should rightly have the final say.

As part of the compact between the board and the family, there should be an agreed list of items, where the board is expected to consult the family shareholders (usually, via the family council) or seek their approval. For its part, the family council needs to send a clear steer to the board of directors, reflecting the family shareholders' agreed stance on any of these issues.

The list below is illustrative of the kind of items that would typically be considered reserved matters for the family shareholders:

Reserved matters: 'big-ticket' policy items where the family may have the final say

- Business risk and reward parameters acceptable to the family.
- Return on investment sought by family shareholders.
- Permissible extent of borrowings and gearing.
- Limits on major acquisitions or disposals of assets.
- Appointments to the board or any significant changes to board structure.
- Any transaction or proposal that alters the number of shares in issue.
- The family's attitude to ethical and moral issues that may arise in connection with business operations.
- Any proposed changes to the name of the business or its articles of association.

Two-way communication

In terms of communication, the relationship between the council and the board works best as a two-way street. On some occasions, this might mean the family council digging in its heels and saying, "That's the wrong strategy for us", while on others, the board should be taking a firm stand in favour of a change of direction.

Once again, there is no 'right' model of how best to strike this balance, because the quality of the relationship varies in different businesses and over time. Rather, a clear set of principles and processes should be drawn up and applied to take into account the unique circumstances of each company. The critical point is that there should be clarity on both sides about what can and cannot be done, and where boundaries are set.

To achieve the necessary communication and coordination between family council and board, it helps if the parameters of the relationship are set down on paper in the family constitution or in some form of memorandum of understanding that includes a schedule of reserved matters.

There should also be regular exchanges of views and updates of objectives pursued by both bodies (e.g. regular two-way flow of reports, position papers, occasional joint meetings), facilitated by there being at least one family member (often the family business chair) who is a member of both the family council and the board.

Although clear communication is critical to the relationship between a family council and the board of directors, family members need to recognise the importance of confidential board information, especially on key strategic decisions like acquisitions. In addition, direct personal contact between family shareholders and external board executives outside the boardroom should be discouraged.

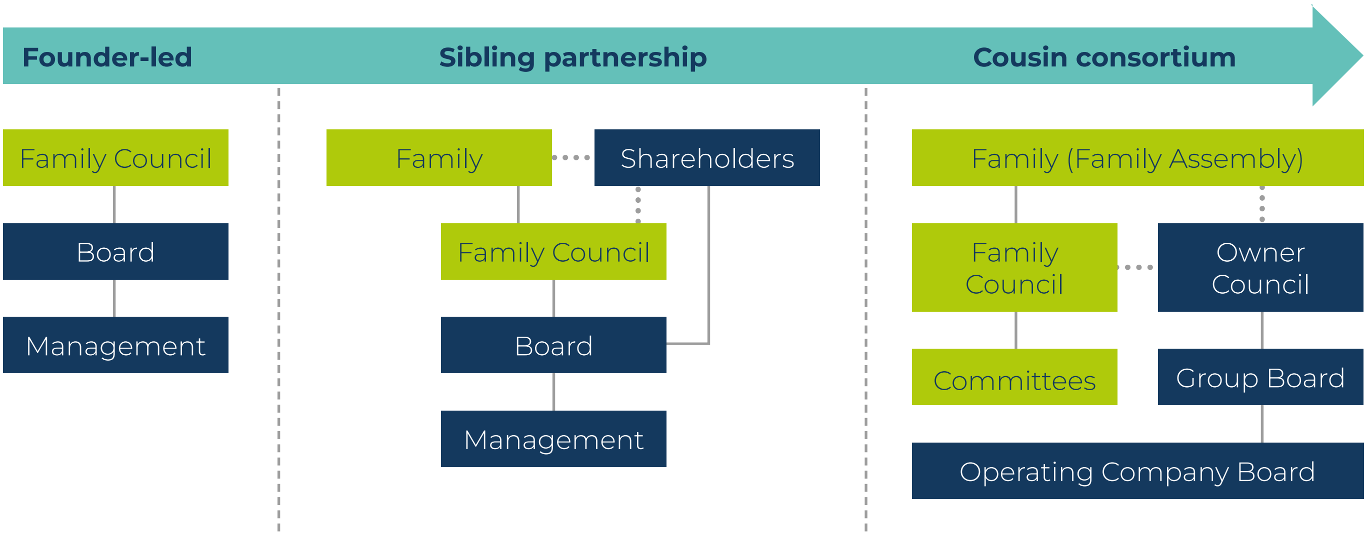
6. EVOLUTION OF FAMILY BUSINESS GOVERNANCE

Managing complexity

Governance challenges only increase as the family and business grow more complex with each succeeding generation, increasing the need for an ever-more-professional approach to addressing and resolving family issues.

Do not just hope that family governance will adapt itself naturally to these changing circumstances. Foresight and planning are required in order to ensure governance remains fit for purpose, involving regular review and evolution of structure, memberships, procedures and focus.

The diagram below illustrates how governance design can be evolved to meet the increasingly complex needs of the family and business over multiple generations:



- **Founder-led business stage:** We have seen that at the founder-led business stage, informal family meetings are usually the preferred discussion forum. But as children grow older, business families often decide to set up a family council consisting of parents and children, providing a more formal setting for conversations with the next generation about the business. The next generation's career aspirations, skill-building and succession planning are often the focal points of these early discussions. Parents should cultivate an atmosphere of free and open discussion at family council meetings, talk about their pride and achievements, and lay the foundation for the development of the values-based, shared vision that should underpin family involvement.

- **Sibling partnership stage:** Typically, it is during the sibling partnership phase that the nature of the family business ownership group first changes, with the separation of ownership and management roles as some siblings become just owners. Succession and leadership transition preparations will move up the agenda as the business approaches the sibling partnership stage, as will the multi-faceted issue of how best to organise and set parameters for family participation. Sibling rivalry can sometimes bring the family council's 'managing differences' role to the fore, even if siblings get on. The expanding role of the second generation will certainly shift the council's focus towards setting common goals and team-building as vital ingredients in sustaining family harmony and a cohesive approach to the business. Through the founder-led and sibling partnership stages, family council membership is often open to all adult family members (although whether spouses should be involved may already have become a contentious issue).

- **Cousin consortium stage:** The third generation of family ownership generally introduces the cousin consortium stage, in which large numbers of family members usually have weaker family relationships and reduced connections with the business. Family governance is likely to have been restructured, with the introduction of a family assembly and possibly an owner council (see chapter 7). The emphasis of the family council may shift to how best to manage family complexity, and how to reinforce the family's emotional connection and commitment to the business. With the family often now being more remote from the non-family professional management of the business, family concerns often centre on shareholder issues, such as dividend policy and ensuring share trading liquidity that can provide an exit route if required.

Evolution of the family council

Depending on where they are in the evolutionary life cycle and also on the family's unique history, structure and perspective, every family's concept of the family council will be different. For some, 'softer' family concerns may predominate – socialisation, bonding, education and improving communications – while others will have their family council concentrate on 'harder' issues, making sure they have processes for sharing information as a basis for effective planning and policy-making in relation to the business.

Typically, they address particular issues at particular stages, and that is the most that can be said. Every family council is different, and every family has to follow its own path depending on the family's dynamics, branch structure, governance architecture, priorities and long-term goals. The practicalities in the table of family council functions, as shown overleaf, should therefore be read with this caveat in mind and in the context of the strategic goals set for the council.

Some of the key evolutionary features of the family council over these progressive stages are illustrated in the table below:

	Family meetings	Early stage family council	Mature family council
Life-cycle stage	Founder-led	Sibling partnership	Cousin consortium
Family governance priorities	• Clarifying family values and developing a family mission • Supporting the founder(s), laying the foundations for a sustainable business • Discussing and generating new business ideas • Education and skills-building in the younger generation • Preparing the next generation for leadership and ownership • Succession and planning the leadership transition • Retirement and estate planning	• Disseminating the family's core values • Building teamwork and harmony • Developing policies governing the family's relationship with the business – e.g. family jobs, share ownership • Taking a more structured approach to governance issues • Professionalising management • Facilitating intergenerational communication • Sustaining family ownership	• Disseminating the family's core values • Unifying the expanding family network and managing differences • Managing the expectations of everyone involved in the business • Defining the rights and responsibilities of shareholders who do not work in the company • Ensuring efficient communication channels • Expanding family community and philanthropic programmes • Agreeing a long-term plan for family involvement
Proceedings	• Informal	• Semi-formal	• Formal and codified
Membership	• The nuclear family	• Usually open to all, subject to restrictions (e.g. on spouses) as agreed by the family	• A representative group of family members selected or elected by the family, with qualification criteria set by the family assembly

	Family meetings	Early stage family council	Mature family council
Size	• Small-scale with no fixed membership	• Depends on the size of the family and membership criteria: usually 5–10 members	• Up to 10 members elected by the family assembly representing all generations, branches, direct descendants and in-laws
Number and frequency of meetings	• Frequent meetings are common as they tend to develop informally from regular family gatherings	• Typically, frequent meetings for the first year or two (as often there is a backlog of issues requiring a series of meetings in quick succession), after which 2-4 times a year is the norm	• Generally meets 2-6 times a year, but may be more depending on the number and urgency of issues it faces
Typical agenda	• Getting the younger children interested without pressurising them • Drafting the step-by-step succession and continuity plan • How best to prepare the next business leader(s) • Estate planning – principles and practicalities • Developing family support for the new family leadership	• How do we express our values and pass them down to future generations? • Reviewing and updating the family constitution • What qualifications are needed by family members seeking to enter the business? • Policies on family perks • Career development plans for the next generation • Recruiting outsiders to the board • Organising a presentation to the council on 'Managing sibling rivalry'	• Reviewing family council relationship with the board of directors • Responding to family members who want to liquidate their shareholding • Setting up new venture support for family members • Approving committee strategies • Deciding if the board's borrowing plans are allowed to breach the shareholders' gearing limits • Report by the philanthropy committee • Education session to improve communication among the shareholders, wider family and board

7. FAMILY COUNCILS IN MULTIGENERATIONAL BUSINESSES

Governance challenges in a multi-generational business

Many multi-generational family companies are global enterprises, and family membership and ownership may also be spread across continents. Subtle and complicated cultural issues might also play a significant part in shaping the way these groups are governed, whilst geographical divides also raise practical difficulties, with both factors contributing to yet more diversity.

Having a robust and adaptable governance structure is therefore critical by the cousin consortium stage – and significant leadership skills are required to manage diversity and complexity, forge a common agenda and resolve differences among family members – and family councils play a crucial role in those challenging, yet rewarding tasks.

When families reach the third and fourth generations, there will often be limited family involvement in the business and the powerful family connection that worked for the business in earlier ownership stages may be significantly weakened.

If no action is taken, there is a risk that the founder’s values and entrepreneurial vision will fade into distant memory, while family opinions on ownership and involvement can begin to fracture. At this stage, it may also become essential to galvanise, and if necessary realign, the family’s vision, building unity around articulated common goals and values.

Cultural factors can also sometimes add an extra tier to family governance structures. In many Middle Eastern family businesses, for example, the family council is supervised by a council of elders, out of respect for the senior generation that underpins Middle Eastern life.

By the cousin consortium stage, these large families are diverse, and the structural complexity (and leadership skills) required in order to manage their relationship to what may have become a very substantial business should not be underestimated. The governance architecture and interconnections in such cases can become very elaborate. This is not a problem, provided the family has arrived at an agreed solution that meets its objectives and that works.

Family council size and composition

The size and composition of the family council will depend, among other things, on the size of the family and the life-cycle stage of both the family and the business. There are many questions and options to consider and, as always, a flexible approach is essential.

The most effective family councils in multi-generational businesses tend to have 7-10 members. They will usually be elected by the family assembly (taking into account the individual’s availability, qualifications, capacity for leadership and communication skills) and represent the voices that need to be heard – all generations, branches, genders, direct descendants and in-laws, and including individuals both inside and outside the enterprise.

Branch representation

Family complexity can involve special adaptations to governance structures.

Where a multi-generational business sets up a family governance system, traditionally each branch of the family tends to nominate someone as their spokesperson on the family council, feeling they have to make sure their family branch and its shareholding are properly represented and their interests looked after. Even though there should be no place for 'tribalism' in the family business – as meritocratic principles should rule – sometimes it is politic to accept a degree of branch representation in a family council.

Many families create a 'branch model' comprising of a single family council with each family branch entitled to appoint its own member. A variant on this is the Rockefeller family model: the four different branches of each have their own family council, the deliberations of which feed into the top-tier family council. These are two ways of organising and securing branch representation in larger families.

As time passes and as the family expands, what often happens is that a desire for greater meritocracy will begin to take root in the family council, with a progressive move towards appointments on the basis of competence and experience – regardless of family branch.

Good questions, therefore, when revisiting and reviewing the family council mandate and membership are: "Do we have the right mix of people, or are some members there because of who they are rather than what they bring?"; and if the mix isn't right, "How do we set about fixing it?"

Family council committees

For a large multi-generational family, committees can be a way of involving family members who do not work in the business, and also spouses who may not be eligible to sit on the council itself, but who have talents or expertise that make them valuable contributors.

- **Learning and development committee.** Nurtures the family's human capital by promoting business and financial education, skills acquisition and leadership opportunities for family members. This might, for example, involve organising education courses, a whole learning curriculum or internships.
- **Career planning committee.** Establishes and monitors entry policies for family members interested in pursuing careers in the business, including offering career mentoring. This is an example of a family council committee that could involve company people e.g. head of HR, in a collaborative exercise to help secure the best outcome for all.
- **Communications committee.** By this stage, many family shareholders may have become detached from traditional, often informal sources of news and information concerning the family business. Keeping these shareholders in touch requires thoughtful and well-planned communications management. To support the committee, there may also be a case for appointing a shareholder relationship manager – usually non-family – whose role is to manage investor relationships and to act as a central point of contact for all family shareholders.
- **Social and events committee.** Organises regular events designed to foster family relationships, such as annual reunions and other gatherings. The aim is to bring family members together around social activities, encouraging distantly related relatives to learn about each other's concerns and interests.

FAMILY BUSINESS UK

- **Related governance bodies**

Other governance bodies which often feature in multigenerational family businesses, and are required to maintain close links to the family council, include:

- **Family assembly.** A broad-based institution open to all shareholders and all family members of all ages, which delegates executive functions to the family council to which members may now be elected or nominated by the family branches . The family assembly typically meets annually to receive updates and celebrate family identity and values. This meeting may also be combined with a family holiday or reunion.

- **Owner council.** Many families create an owner council (sometimes called a 'shareholder committee') to provide the shareholders (or beneficiaries, if trusts are involved) with a forum to focus on the purely economic matters that affect shareholders. This also enables the family council to focus on more family-related matters, without the distraction of ownership issues taking up time and energy.

- **Family office.** Often in mature family enterprises, the family will aim to accumulate wealth outside the business as insurance against a commercial or economic downturn. By the cousin consortium stage, therefore, a family office has often been established with this goal in mind, acting as an investment and administrative centre with its own governance rules and processes, and possibly overseen by the family council.
  Family offices vary hugely in size and scope, with some focused purely on wealth planning and management, while others also provide a variety of services to the family, e.g. legal, tax, property management, philanthropy and concierge.

- **Family foundation.** A charitable entity that serves governance functions by working with broader family to articulate shared values and provide a focus for family philanthropy. Family members can play a significant role in managing the foundation throughout its life.

- **Venture capital fund.** Operating like a professionally managed VC fund, this manages resources that are set aside to stimulate and facilitate entrepreneurship among family members who start new business ventures.

INSIDE VIEW

There is no substitute in family business education for learning from the direct experience of other families.

We therefore wish to express our gratitude and appreciation to **Chloe Benest,** family council chair at Betty & Taylors of Harrogate, and **Tom Green,** family council chair at Covers Timber, for providing an invaluable 'inside view' of each of their experiences, challenges and achievements in the family council 'hot seat'.

Bettys & Taylors of Harrogate

Bettys and Taylors Group is a third and fourth-generation-owned family business. Established in 1919, the business is based in Yorkshire but also draws inspiration from the family's Swiss heritage, and is home to three iconic Yorkshire brands: Yorkshire Tea, Bettys, and Taylors of Harrogate. They have a passion for quality, service and doing things properly.

Responses kindly provided by Chloe Benest, Family Council Chair.

When and why was the family council established?

Our family council was established in 1996, as a way of both establishing some key family governance mechanisms following a challenging period, and aiding a generational transition, as our second generation moved from leading business governance to family governance.

Who is entitled to be a member, and how are members chosen?

We've moved through a variety of different models over the last nearly three decades. At times, it's been very prescriptive and based on shareholder representation of generations and branches of the family, and at others, much looser, with any interested shareholders or partners of shareholders able to join. Currently, we're operating as an owners council with a core group of highly engaged shareholders (nearly all our family shareholders) all opting to be part of the group – choosing to work together to build relationships and support and influence our family in business and our family business.

How does the family council connect with the business?

It's a forum where we can discuss issues of being a family in business, but also a place where representatives of our board and CEO (and people from deeper within the business) come to discuss questions raised by the family or questions from the business to the family, particularly around values. We also have separate forums where the family, board and business spend time together building relationships, developing knowledge, and engaging on key topics of interest – these all connect back into our owners council.

As Chair, I also work closely with the Chair of the Board and CEO to develop our agendas, ensuring that we're working on the right questions at the right time and have opportunities for discussion to ensure alignment or develop the conversation further.

What was your experience of the early years of operation of the family council?

In its infancy, the family council was a forum focused particularly on issues relating to the next generation (G4 – my generation – who were all teens at the time), including trusts and share ownership. It was a different phase for the family and business with two G3 family members leading the business. It has evolved significantly over the last nearly three decades.

How have you kept the council energised and directed?

We've continued to evolve the council as the wants and needs of the family and business have changed, and to reshape our touchpoints as a family and with the business. What we do, how we do it and who does it has changed over the years, with a particular focus on transition, learning and development, and long-term strategic planning (both as a family and also collaborating with the business) over the last five years. We're currently experimenting for a year with a new structure, some new points of engagement and a more intentional approach which will help us shape the next phase.

What have been the council's key challenges in your time, and how have you addressed them?

Learning and development of our fourth generation has been a particular focus as well as building strong inter and intra-generational relationships. This has been supported by several things, including a number of structured learning trips to build relationships and deepen knowledge, and an intensive 'future picturing' process shaping the next five years for the family – where the process has been just as important as the outcome and enabled by external support where needed.

Another significant challenge has been moving through a period of transition where our third-generation leaders retired from the business, with the business now run by a non-family exec team and a non-family board. This has been a really big shift for the family and the business and has required a period of planning, testing, and learning how we want to engage as a family and business and how we have influence. This hasn't always been smooth sailing, but it's been aided by a real commitment from the family and the business to develop their ways of working together and being open to experimenting.

What do you see as the council's key challenges over the next few years?

One of our next challenges is reviewing our constitution, something we do fairly regularly but have put on hold whilst we focus on other work – which will also inform the next iteration. Continuing to build relationships and effective ways of working will also be a focus – both as an owners council and with the business, as will how we support and develop our rising generation as they begin to engage with the business in different ways.

We've also set a number of intentions around the purpose of being a family in business and our role(s) as the family (particularly in the context of no family in the business) that will be tested and reviewed over the coming years which may challenge our thinking and approach and need something different again.

What have been the council's key achievements?

Finding a way through! Whilst less 'shiny' than other achievements I could list, it's probably the most significant. There have undoubtedly been challenging times as well as some fantastic ones, and being able to find a way through, to keep going and to continue to develop and learn together, can be really hard and takes commitment.

Have you ever had or considered a non-family chair?

Yes, we had a planned gap between family chairs and so had a non-family chair in place for two years. There were definitely pros and cons, but ultimately it wasn't the right solution for our family in this phase, as the family council chair is the key conduit between the family and the business and the key visible representative of the family – with no family in the business or on the board, it's been important for us that it's a family member in the chair role.

What advice would you pass on to a family that's setting up a family council for the first time?

Be really clear on the purpose of your family council – what's it there for, what do you want it to do (and not do) and what's needed to support those ambitions. But also know it's a moment in time – and you might not get it right first time. Being open to reviewing how it's working and reshaping and redefining as the family and the business changes is really important.

Some agreed ways of working are also very helpful, and it's a bit chicken and egg whether your constitution comes first or whether it's the first piece of activity your council does together – either way establishing the framework around the council is really important.

Covers Timber

Covers Timber & Builders Merchants is a family-owned business that has been supplying timber and building materials for more than 175 years. The company has 17 locations across the South of England, including Hampshire, Kent, Surrey, and Sussex.

Responses kindly provided by Tom Green, Family Council Chair

When and why was the family council established?

The full family council was established in 2013. Its formation was during a time when the size of the family had begun to grow considerably, with a number of family members having or planning for children. On top of this, living members of the oldest generation of the family (the descendants of the first generation) had reached an age where they were moving away from responsibilities they had held within the family businesses and related properties/affairs.

The family recognised, with generational change and a broader shareholding, the need for additional governance. In addition to non-exec directors, both external and family appointments, the FC was formed to provide a medium to facilitate two-way communication between the business and the family while also being an action group to manage family projects, such as philanthropy and family education.

Who is entitled to be a member, and how are members chosen?

Full membership (three years) or the option to be co-opted (one year) is open to all family members, including spouses, over the age of 18 or over.

Each year, non-FC family members are invited to identify themselves as running for full membership, being available for co-option or being unavailable for nomination. The wider family (over 18-year-olds) then vote for the full members and, after that process is complete, the new FC selects the co-optees to join them. If none of the co-optee candidates are deemed to be appropriate, the FC retains the right to invite family members to join the FC.

How does the family council connect with the business?

An executive from the business sits on the FC as an observer and gives a business update at the start of each meeting. Following each meeting, the Chair of the FC also has a one-on-one meeting with the Chair of the board of the business to discuss any items on the current agenda which may have an impact on the business or require input from the business.

In addition, the board also has two family NEDs who also sit on the FC by default.

What was your experience of the early years of operation of the family council?

The formation of the family council was in conjunction with the creation of a family charter and the constitution of the council. The first years of the FC involved focusing on some of the areas of the new family charter which became key pillars of ongoing activity. This included developing the philanthropy fund for the family to exercise. There were also pieces of 'infrastructure' put in place, such as a family website which acts as a hub for ongoing information on the family and businesses, such as family trees and a history of the businesses.

How have you kept the council energised and directed?

Having regular turnover of FC members is key to keeping the agenda refreshed and energised. We've found during the different iterations of the FC that the range of expertise and interests within the family naturally leads to a good range of topics and issues being focused on. This has included initiatives around entrepreneurship and succession planning.

What have been the council's key challenges and how have you addressed them?

One of the key challenges has been continued modernisation, especially in relation to the charter. As time has passed, many aspects of the charter have been reviewed and been found to be out of date and not in keeping with the current perspective of the family. This has been an ongoing effort.

Another big effort has been to remain representative of the overall family. In our case that has revolved around trying to ensure that the FC has a fairly even spread across generations, family branches and genders. Fair representation can be a struggle based on those available to be on the council, but the use of co-optees is a useful tool in these instances.

What do you see as the council's key challenges over the next few years?

A key challenge will be looking to enthuse the next generation. As the family continues to grow, communication will be absolutely key to ensure that younger family members are engaged with the business. The FC has got out in front of this with a number of next-generation initiatives for younger family members but this will continue to be a challenge and a focus.

Inevitably, when the current G2 (second generation) passes away, there will be certain family challenges, but we are optimistic that assumptions or intentions are being aired in advance via the FC, so hopefully any potential stress lines will have been dealt with in advance.

What have been the council's key achievements?

The FC has mediated and facilitated considerable philanthropic giving to more than 40 charities in the 10 years since its formation. This is facilitated by two philanthropy leads who are selected in each council and liaise between family members and charities.

The fact that it exists and continues to be well represented is a key achievement in itself. The process to create the council, its evolution, its rhythm and its existence and hence the family engagement is just as important as its outcomes.

Have you ever had or considered a non-family chair?

No, this isn't something that's been considered for our family, given our size.

We have had chairs of the FC be spouses who have married into the family. Although they are still very much core family members, there can be benefits to having input and guidance from those that haven't been in the family their entire lives and may have a more objective view.

What advice would you pass on to a family that's setting up a family council for the first time?

When starting the family council, and drafting the family charter, we hired a facilitator to guide us, as a wider family, through the process. At this stage, you may be discussing certain topics for the first time as a family, so having an independent party certainly added value.

In terms of the formation of the family council, something that has been beneficial throughout has been the presence of a 'First-Gen Observer'. This is a mechanism by which a seat at the council is reserved for one of the three, in our case, members of the eldest generation who had been heavily involved in both the family and business affairs for many decades. Having access to this historical and contextual knowledge in the council gives a very useful grounding to a range of conversations, while also ensuring that those members of the family who committed their careers to progress have visibility as the family looks to the future.