

"Creating A Family Council"

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Family Businesses are prevalent in our economy. These businesses have one important issue in common: the potential for conflict between family interests and business interests. Creating a family council is becoming a popular solution for family businesses that want to reduce conflict and increase trust in the family. When relationships in the business are healthy, the business is more likely to be financially healthy.

What is a family council? It is a formal group, consisting of family members, who meet to discuss how the family concerns relate to the business. It provides an opportunity for family members to learn to work together, discuss different views, discover common goals, and participate in policy-making. One of the most important functions of a family council is to keep the board apprised of values the shareholders wish to see guide the company's policies.

Each family business should design the council to meet its individual needs. There are a few standard guidelines most businesses use in forming the membership and agendas of councils.

The council should include all family members, including spouses and older children. There are specific reasons to include in-laws, (who may feel more like out-laws), and older children.

The council may create an educational forum to teach family members about the business and about communication and problem-solving methods. Some educational sessions may include financial analysis or practical business skills such as how to read financial statements.

Some councils set certain policies for the business. An example would be a policy on criteria for family members entering the business as a career. This policy may include the required number of years of education and experience working in a related field. Other policies may address accountability methods for family members working in the business.

Council meetings are generally scheduled two to four times per year. This schedule allows the members of the council to stay informed of current business issues. It also allows time for educational sessions and practice of the skills being taught.

Creating an active family council builds trust in family businesses by strengthening the communication and commitment of the family members. Family members gain an understanding of the responsibilities of ownership and participation in the business. It is an opportunity to invite the family members into the business, even if they do not work in the business.

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