Enterprising Rural Families™

An Online Newsletter September, 2009 Volume V, Issue 9

This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of the University of Wyoming Cooperative Extension Service. For further information concerning the Enterprising Rural Families program or on-line course contact *information@eRuralFamilies.org* or go to *http://eRuralFamilies.org/*.

TIPS OF THE MONTH:

- A major change will disrupt the work environment...it is essential to plan the change carefully and to align the three elements that make up an organization: the product or service, the human factor, and the culture.
- Regardless of whether your exit from your business occurs according to a planned schedule or you are forced to move unexpectedly, the decisions you make when setting up your business can affect how easy it is for you to eventually exit your business. Don't run! Make it a slow methodical walk to an effective end.
- Tactical objectives:
  - ⇒ Relate directly to one or more strategic goals and the mission statement.
  - ⇒ Are clear, concise and understandable.
  - ⇒ Are stated in terms of results or outcomes.
  - ⇒ Specify a date for accomplishment.
  - ⇒ Address no more than one major outcome per objective.
  - ⇒ Begin with "to" and an action verb (i.e. to reduce, to increase, to replace).

FAMILY COUNCILS

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Like it or not, in a family business you may find yourself making powerful decisions right next to your brother, sister, cousin or in-law. Family-owned enterprises own or control more than 90% of America's businesses. Whether it is a franchise, a retail store started by a grandfather, or a multi-million dollar investment banking firm, family businesses are held to the same management principles and competition as any business. But family enterprises are vulnerable to many more complex issues, ownership and psychological baggage, which can either add to the business and quality of family life or destroy it. Just as families are subject to the pressures of modern society, so are their businesses. Internal, psychologically complex, mixtures of money, love, power and envy can spin a lethal web if uncontrolled. Siblings left to share an empire soon battle about more than toys, ponies or fast cars. This is one reason for the old maxim: the first generation makes a successful business, the second generation builds it, and the third generation blows it.

One valuable tool to maintain communication, foster vision, and plan strategically is the creation of a family council – essentially a forum that allows all family members, in-laws included, a chance to express views and voice concerns. Family councils are an effective technique to give members a greater understanding of the owner's perspective and passion. It also helps teach that the business birthright is not merely an entitlement providing "silver spoon" rewards, it demands responsibility. By allowing each family business member a voice in decision-making, communication is enhanced and, in many cases, improved as family members slice through years of ancient battles.

Sometimes business owners are hesitant to create a family council. They are concerned that their domain will shift from a dictatorship to a democracy overnight. They tend to be compulsive personalities because it is, after all, their perseverance, sweat and risk that brought on the spoils.

Yet a family council does not mean a shift in power. Family councils open communication, encourage creative thinking, enhance the family's chances of preserving harmony and set the stage for a strategic family vision. Often the CEO attends, but as a participant, not a captain. Sometimes communication that yields first-hand information to all family members can put an end to future gossip and speculation that in the past may have been an ignition switch for trouble.

WHEN TO BEGIN

Family council meetings should begin as soon as the children (or other relations) are old enough to enter the family business with a real job. A family retreat away from home and workplace is the ideal way to inaugurate a council. An experienced family business consultant is an excellent "guest" facilitator to have on this retreat. He or she can lay out the guidelines and help establish the objectives. Though the family members make decisions, a facilitator is often the key to a successful family council meeting. The good facilitator is experienced in steering a discussion away from, for example, 20-year -old gripes and steer towards constructive solutions. He or she provides guidance and structure and ensures that future council meetings follow an organized format.

The goal of the family council meeting is not to resume a depressing family gripe session with echoes of past hurts but rather to open communication by asking questions and discussing ownership issues in a non-threatening and comfortable manner. This freedom of expression can and should lead to policy and decision making that will benefit both family and business.

The facilitator will make sure that the family CEO attends the meeting as a participant, not a boss. This frees family members to "put their cards on the table" and begin addressing underlying problems that have contributed to seething and pent-up resentments. In more complex, dysfunctional families this may not be possible to resolve in one retreat, but the family can at least identify the issues that affect the business. The longer the family keeps at this process of open communication the more comfortable and productive it will become.

WHO'S INVITED

In a first generation family business, the council is usually comprised of the founder, his or her spouse and the adult children. The family council should also include spouses of the children. In a second generation business (sibling partnership), the council is usually composed of the sibling partners and their spouses.

THE FAMILY'S MISSION

The family helps define and decide what they want to do with the family business. Keep it in the family? Sell it outright? Be acquired? Go public in how many years? What would happen if the CEO and majority owner died tomorrow? This is where long discussions can decide such issues as should children not involved in the business still have a say in operations? What are the management standards for the business? How involved shall family members and particularly in-laws be in the business? How compensated? What about ownership of company stock? Management succession? Relationships with each other and how can the family agree about resolving family differences? All responses and thoughts to these questions should be articulated in the family creed.

THE FAMILY CREED

This is a document that should be written (or initiated) at the family council meeting. It is designed to spell out the family's basic values and policies in relation to the business. In effect, it becomes the family's strategic plan. A family creed should be reviewed annually and revised as needed. Some family creeds begin with a mission statement or preamble and should include such items as a statement on management philosophies and objectives; rules on company positions for family members including in-laws; leadership criteria; compensation of family members; voting control and stock ownership; creation of a Board of Directors; present and future communication; a statement on how to treat employees and an agreement to review and amend the creed after a set period of time.

FAMILY FEUDS

There are many who believe that family feuds are inevitable. Barring severe dysfunction , all families experience some dysfunctional behavior and these family members may never change. While people may rarely change, behavior patterns can and do. Sometimes they must for the health of both the family and business.

Siblings can prevent rivalry and jealousies from becoming a destructive force by recognizing its destructive capacities and agreeing on a behavior code with help from an independent board of directors or a facilitator. Conflict is inherent in family business. The question is, will the family choose to manage the conflict or will they, by not addressing the hard issues, allow the conflict to tear the family apart?

The owner of one family business put it to his heirs this way: "We have a fine family business that your mother and I have spent years creating. If you take care of it, it will provide you, your children and grandchildren with many of the good things in life. If you spend your time watching and bickering with each other instead of tending to business, you'll destroy the company and in the process, you'll destroy yourselves."

The family council can help establish a spirit of openness, respect and cooperation that can minimize conflict or, if differences are truly major, provide adjudication to help control the conflict. Fairness is in the eye of the beholder. With planning, preparation and counsel, siblings can develop a regenerating system to cover the inevitable bumps and provide for a lifetime of healthy and productive communication.

Reference: James Olan Hutcheson. *Am I My Brother's Keeper?* Regeneration Partners, June 1, 1998, www.regeneration-partners.com/artman/publish/printer_23.shtml

Family Councils should …

A. begin as soon as family members are old enough to enter the family business.

B. include the founder, his or her spouse and adult children and their spouses.

C. be held regularly enough to encourage communication and creative thinking and to preserve harmony by resolving family differences, before they become a problem.