



## Ensuring the family follows council rules

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When a family starts to work together to organise a family council, to define different roles and responsibilities in the family business and to create family policies and agreements, the question inevitably comes up: "what will we do if someone doesn't follow the rules?"

Clearly the goal of working together as a family does not constitute a binding legal agreement that you can enforce by taking a family member to court. Family agreements don't need to have "teeth".

On the other hand, a good way of making sure that people know what the rules are is to have a written family agreement. Family policies are important to have, purely in terms of clarity of communication.

If the agreed upon "rules" represent a change in the way the family must operate then two questions to consider are: "Who is going to lead the change?" and "What resistance do you have to overcome?"

Telling everyone what the new rules are once is not going to be enough. People usually don't listen to something until they have been told multiple times. At a family meeting, all of the family members present might say that they agree on the new rules or roles. Later someone could break the rules simply because had not yet fully taken them on board.

If you ask a family member shareholder to put the interest of the family group before their own personal interest, then you are talking about making a "social contract". The rules that you are seeking to create are not legal rules, but social norms.

A "social contract" means that people are willing to give up some of their own personal freedoms "for the greater good". In practical terms, you need to get everyone to think carefully about the benefits of working together as a united family group. For example, working together might hold up the value of the family-voting bloc.

Rules and policies become norms when they are consistently applied. If you make a family rule you need to follow it or the group as a whole needs to amend the rule.

At family council meetings it is important to talk about what is acceptable behaviour for a member of the family group and what would not be acceptable behaviour.

A family should try to incorporate time for telling family stories and talking about values whenever you hold a family meeting. Discussion of values and stories at family meetings will build up the emotional glue. Discussion of values will also help you to pass these on to the next generation.

A group can be united by a picture or vision of something that is larger than the individual. Working on shared vision for the future and revisiting it periodically also provides the energy that moves the group forward towards its joint goals.

If family members "hold their cards close to the chest", don't be surprised if other members of the family council don't follow the rules. You need to have trust to have a functioning family council. Trust implies being transparent, open and respectful and being consistent in delivering on what you say you are going to do.

If you have a member of your family council who keeps contributing their view, but the group never takes it into account, then expect them not to care about the rules. You need to give people a real voice if you want them to participate.

You may wish for a number of family members to participate in the business, but to meaningfully participate family members need a basic level of competence. Creating a family council naturally leads to the conclusion that there has to be an investment in future talent and family education.

Just having a proper forum for discussion of family and ownership issues will be a positive step towards improving family communication. However, having "yum cha" together on Sundays doesn't qualify as having a "proper forum".

An effective group needs good communication and one aspect of good communication is direct communication. If you have a problem with someone, it is important to go directly to that person instead of talking to someone else about that problem.

Conflict is a natural part of relationships. There is one thing however that is worse than family conflict, and that is

conflict avoidance. It would be unrealistic to think that a family group will totally avoid conflict. Instead families should acknowledge that conflict will arise and find a way to work through it in order to remain focused on the issues.

Don't allow people to make decisions when they are emotional, give them time to calm down. It is important to make decisions when participants can think and reason.

It is not realistic to expect everyone will agree all of the time. Disagreements are normal and it would be unwise to remove someone from the group just because they express a dissenting voice from time to time.

In conclusion, rather than worrying if family members will follow the rules, it is better to consider if you have created the right conditions whereby family members will want to follow the rules.

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