

Family Business Success: Benefits of an Advisory Board and Family Council for a Family Business

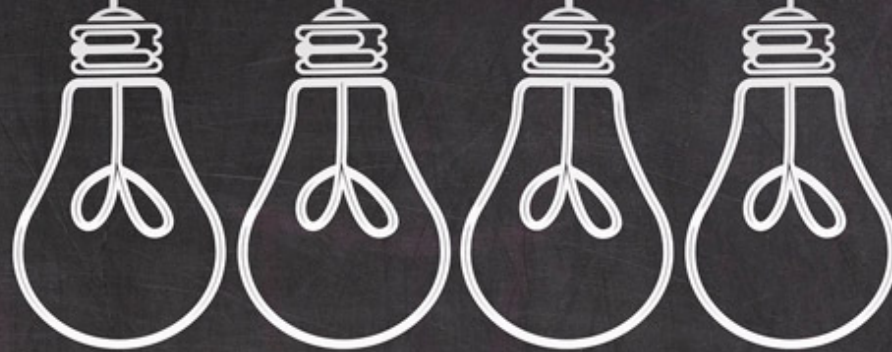


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**“You can never communicate too much in a Family Business.”
– Rhett Ricart, CEO of Ricart Automotive at a Conway Center
for Family Business Meeting; September 15, 2016**

**If family business leaders are not communicating enough with their current
and next generation family members, the business is unlikely to survive to
the next generation.**



ADVISORY BOARD

The Purpose of an Advisory Board

The major purposes of an advisory board are to advise the CEO and provide the CEO with suggestions for the successful operation of the family business.



Benefits of a Family Business Advisory Board

The key benefit of an advisory board is for individuals with relevant business experience to provide the CEO with objective, independent, caring advice on a continuing basis. Leading a family business can be lonely, especially if there are issues with family dynamics. Whether the CEO is one of three brothers, the father of three children or any variation of other family combinations, the CEO can benefit from input received from several business-savvy individuals who do not have their “blood” in the business.

Advice from the outside can be particularly meaningful when making decisions about:

- Strategic initiatives for the family business
- Promotions of relatives/employees and job titles
- Determining compensation
- Succession planning

It's helpful to have several people who aren't involved in the daily operation of the business to help develop — and periodically review — the company's strategic plan. These trusted advisors can help provide feedback on whether progress is being made and if the family business is staying on track. Similarly, seeing whether the family business culture is being nurtured and maintained may be better suited for advisors outside of the daily operations of the business.

It is also beneficial to have an outside opinion when analyzing the skill sets of current family members and determining additional business needs such as sales, finance, marketing, human resources and more.

There are numerous benefits to having a family business advisory board but most important is that an advisory board can provide meaningful advice and help alleviate tension when it comes to making major decisions.

Major Discussion Topics for an Advisory Board

When a family business advisory board meets, it's important that the board members:

- Advise the CEO
- Develop and periodically review the strategic plan and operating budgets
- Oversee and offer recommendations for the successful operation of the family business
- Understand the skills of key leaders and managers
- Perpetuate the family business culture
- Guide succession planning
- Consider major expenditures, borrowing and acquisitions
- Review and advise on management compensation



FAMILY COUNCIL

The Purpose of a Family Council

The fundamental purpose of a family council is to provide a forum for family members to discuss and agree on their values, needs and expectations for the company and the family.



Benefits of a Family Council

There was a time in the past when family-owned businesses could decide whether the primary goal of the business was to operate for profit or to take care of family members by providing them with jobs and income. Today, it is common for profit to be the primary goal so that the family business can survive for generations to come. Because that goal may result in conflict among family members, communication is vital between those who are owners and/or working in the business and those who are not.

A well-established and fully functioning family council is the vehicle that allows the family business to run smoothly and separately from other family activities.

The initial focus for family council meetings should be the discussion and agreement on the family mission, vision and values. Once these matters are agreed upon, the family council can move on to other critical issues.

It's important to help family members not working in the business understand what the business does and how it operates. It's worthwhile to provide guidelines

or requirements for a family member to be able to come into the business. This could include a required number of years of education or experience with another company prior to applying for a job in the family business. If such requirements are adopted by the family council, they should be communicated to all family members, especially to the younger generations.

Some family businesses agree on a code of conduct for all family members — whether working in the business or not — to protect the reputation of the family and the family business. Also found on some family council agendas is a discussion of methods to resolve family disputes. The work of a family council helps prepare a family to avoid possible conflict and have the tools in place to resolve conflict successfully.

A well-conceived and operated family council will spend considerable time celebrating the family and its history and enjoying time together. The Highlights for Children Family Council calls this time the chance to build the glue that keeps the family unified in support of the business.

Major Discussion Topics for a Family Council

When a family council meets, it's important that the members:

- Agree on family mission, vision and values
- Develop policies that safeguard the long-term interests of the family
- Educate family members about the rights and responsibilities that come with business ownership and management
- Clarify the boundary between the family and the company
- Give family members outside of the business the opportunity to learn and be heard
- Provide expectations and requirements for family members who want to come into the business
- Agree on dispute resolution procedures for family members



Building an Advisory Board and Family Council

It is strongly recommended that family business leaders establish both an advisory board and family council so their business remains successful and continues into the next generation. The communication that occurs in the meetings of these two entities is vital to the multi-generation success of family businesses.

To learn more about the benefits of an advisory board and family council, or for advice on how to get started, visit www.familybusinesscenter.com.



About Conway Center for Family Business

The Conway Center for Family Business is a membership-driven, non-profit organization providing educational programs and resources to help central Ohio's family-owned businesses grow and transition to future generations.

Our Mission is:

- To help family businesses be profitable and successful;
- To assist family business owners with the transition of their business to the next generations;
- To celebrate the accomplishments of outstanding family businesses within our community; and
- To increase awareness of the positive impact family businesses have on the central Ohio economy.

Family businesses comprise 80 to 90 percent of all business enterprises in North America — and 62 percent of total U.S. employment — yet nearly half do not have succession plans. Family businesses face unique challenges and opportunities in today's economy and the Conway Center can help!

Members enjoy meeting other like-minded family business owners and employees at our educational programs, networking events, annual awards program, peer groups, and more.

Learn more at familybusinesscenter.com.



About the Authors

Dick Emens is the Co-Founder and Executive Director of The Conway Center for Family Business. He has served on advisory boards and assisted family businesses in establishing family councils.

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The authors wish to acknowledge that in addition to their knowledge and personal experiences, this article is also based on materials included in two books: *Family Business Basics: The Guide to Family BusinessesSM Financial Success*, by J. Richard Emens and Beatrice E. Wolper and *Generation to Generation: Life Cycles of the Family Business* by Kelin E. Gersick, John A. Davis, Marion McCollom Hampton, and Ivan Lansberg.





The Conway Center for Family Business provides educational programs and resources to support the growth and success of central Ohio family businesses.

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