



Key Takeaways:

- › Successful legacy families are sure they have a formal system of governance in place.
- › A family government system starts with a family Constitution. Within that Constitution will be a family council that act similarly to a board of directors.
- › The family council will be represented by more than one generation and from all branches of the family.
- › The family council will have an independent group of directors or advisors.
- › Family council responsibilities include:
 - › Developing family wealth.
 - › Determining Financial structures and planning.
 - › Approvals and decisions.
 - › Annual distribution and compensation.
 - › Career management.
 - › Appointments to the family business.
 - › Succession planning.
 - › Determining membership.
 - › Settling decision-making processes.
 - › Organizing ad hoc activities.

Questions to Consider:

- › Who will be on your family council, and which groups will be represented?
- › What specific role will the council play in the family?

INTRODUCTION

One of the big differences between successful legacy families and families that are less well-organized is that they will have in place a formal system of governance.

The elements that you will see in a family government system usually start with the family Constitution or family compact, which defines the system but what you will find in that system is a family Council which will be a supreme body for the family which acts a bit like a board of directors of a company.

Another important role that the family Council should play as the organized ad-hoc programs for the family these can include, but are not limited to, generational transition programs, leadership succession, sale and acquisition of a business, or establishment of a philanthropy. These programs should be carried out in the matter which is sensitive to the family's needs and culture, as well as the big different generations of the family.

Guidance

The Family Leadership Council is one of the most important aspects of family governance. A council can heavily influence either the successes or failures of a family business over time. The leadership makes the highest level of decisions and must be structured so all branches are represented.

The Family Leadership Council operates like a board of directors, and can incorporate trusted non-family, although they are often family-only. The primary functions of the council are to:

- › Represent all family members
- › Set direction
- › Make decisions
- › Resolve disputes
- › Guide other institutions, entities, and activities in the family.

Over time, Leadership councils often condense to about 7 members, each representing a different aspect of the family. A council this size is big enough to have responsibilities, but small enough to make decisions effectively, and should only need to meet every 2-3 months outside times of crisis. The council is usually supported by family members, a family office, or a specific family member overseer.

Leadership councils operate on rules on how people participate:

- › How a family member qualifies
- › Age requirements
- › Retirement age

THE FAMILY COUNCIL

Key Takeaways:

- › Successful legacy families are sure they have a formal system of governance in place.
- › A family government in system starts with a family Constitution. Within that Constitution will be a family council that act similarly to a board of directors.
- › The family council will be represented by more than one generation and from all branches of the family.
- › The family council will have an independent group of directors or advisors.
- › Family council responsibilities include:
 - › Developing family wealth.
 - › Determining Financial structures and planning.
 - › Approvals and decisions.
 - › Annual distribution and compensation.
 - › Career management.
 - › Appointments to the family business.
 - › Succession planning.
 - › Determining membership.
 - › Settling decision-making processes.
 - › Organizing ad hoc activities.

Questions to Consider:

- › Who will be on your family council, and which groups will be represented?

What specific role will the council play in the family?

Although each council member may not have a specific title (besides the chairperson), each member has a specific responsibility. Having people represent different aspects on the council and carry out different functions also eases the process of replacement. The council can also set tone for long-term strategies, documents, and education policy. The council can understand what makes the family unique and use these differences as advantages. The council can oversee the whole family operation, and with a clearer understanding of the family's character guide the family down the road of success.

The roles of the family council may include:

- › A forum for the family to air their concerns: money, jobs, careers, education, training, succession.
- › Developing shared expectations and smooth decision-making.
- › Building stronger family and stronger or professional business.
- › Planning for the future ownership, participation, succession.
- › Managing inherited wealth
- › Preserving family tradition and history
- › Managing family-business relation, recognize and resolve conflict

Another important duty of the Leadership Council is to oversee short term yet crucial projects, such as a generational transition program. A generational transition transfers the responsibilities of business, governance, philanthropy, and succession planning, and must be engineered with great sensitivity and wisdom.

Other ad-hoc short-term projects include:

- › Generational transitions
- › Leadership succession
- › Sale and acquisition of a business
- › Establishment of a philanthropy

Big change projects are usually the province of the family council. Even big-change projects that must be completed quickly must be handled with the care that a well-established council can muster. Cross-disciplinary, multi-generational, and short term projects are best managed by a family council.