

# *A healthy family business*

**Let's talk series**

*To succeed in the long-term, it is important for a family business to have effective governance, coupled with strong communications that can address the complex relationships that often exist between family members and within the business.*



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*There is a lot at stake in a family business: the viability and success of the business itself and livelihood of the family; the health of relationships within the family, and within the business; the estate and legacy that may be passed on to generations to come, or the selling off of assets for other investments. Ultimately, the vibrancy of the Canadian economy depends on family businesses. After all, many of the country's most successful companies began as family businesses that have thrived through the generations.*

Success and longevity, however, do not happen by chance—and in fact, most family businesses do not survive past the second generation. To succeed in the long run, a family business needs effective governance coupled with good communication that can address any complex relationships within the family and between the family and its business. As well, good governance and communication are vital to establishing a strong foundation for the generations that potentially may inherit the family business, and take it to new levels.

“If the business is at the stage of just mom and dad and two kids, or two sisters, it might start off with an informal meeting over dinner, consciously putting on the business hat as an owner or family member, and discussing the business, or having a conversation about the areas of the business that may impact the

family and vice versa,” says Sharon Duguid, director, Centre for Family Business and Entrepreneurs, PwC. “But as the business grows and the family grows, it becomes important that those meetings take on a bit more formality and structure so that the needs and values of the family are reflected in the business.”

This is where good governance in the form of a family council comes in. A family council brings together family members to regularly discuss issues related to their relationship with the business. When structured well with guidelines and protocols that can handle everything from communication to conflict resolution to succession effectively and smoothly, family councils can play a critical role in ensuring the health of both the business and the family relationships. “As a family business reaches a certain size, then it may also start to take into consideration issues such as its social commitment, its role or impact in the community,” says Duguid. “The family can use the council as

a forum to discuss how they want to present themselves through the business to the community or the media, and what values they want themselves associated with.”

Take note, family councils are not simply for businesses in which family members are actively involved in the day-to-day running of operations. Regular family council meetings help all family shareholders remain informed of what’s happening in the business. An effective council ensures that there are no sudden surprises, or unplanned leadership changes, or conflict that only come out in a time of crisis. Even for families that have chosen to leave the running of the business entirely in the hands of management, family councils are a critical way for the family to ensure its values and goals are respected and reflected. “For example, I know of a case where the family wanted its values to be reflected in the employee structure of the business—they wanted the employees to feel that they really came first,” says Duguid. Because that family had a council that elected a representative to sit on the company’s board of directors, the family was able to voice its desires and those were addressed by the business. “Without a family council, the voice of the family and its values can be lost,” says Duguid. “The council becomes more important as the business grows for many reasons. The formality of the family council helps the family know that they do have responsibilities as owners. The council ensures that they are part of the business, even if behind

the scenes, it creates the possibility for the family to create one voice and one set of family values. The structure that a family council provides allows the family, a private, emotional body, to address the business, a rational, public body. As the business grows and the family grows, the family council becomes paramount to the success of the family health and welfare.”

### ***Creating a family council***

- Start with a family meeting to really look at the family’s vision, its values and needs. Why are these important to you, and your family? How do you all want these reflected in the business? What needs to happen to ensure these don’t get lost in the running of the business? How will you make decisions for healthy business growth and healthy family stability? How will you treat each other (code of conduct)? How will you manage disagreement as a family on business issues?
- Set out very clear objectives and guidelines for each meeting. “Good facilitation at these early meetings is helpful to make sure all members are heard, to help understand how decisions get made, or conflict is managed so

that no one is compromised,” says Duguid. “A professional facilitator with a solid understanding of the dynamics at play with a business family is a neutral third party, so they can help keep the discussions focused. They may ask some of the questions that the family may not know to ask and identify patterns of interaction that sometimes families can’t see themselves. A facilitator can also help challenge the family to make sure they are adhering to identified values and goals. It is a best practice to have facilitation, for that non-biased support. The goal is to equip the family council with tools and skills and structures to ‘self manage’ effectively.”

- Keep in mind it’s a long-term process. A good family council doesn’t happen instantly. “This is something that needs to evolve and develop over time, and it will grow and evolve as the family and business does,” says Duguid.

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