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Impact of a family council intervention on owner knowledge and stewardship within a family business

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IMPACT OF A FAMILY COUNCIL INTERVENTION ON OWNER

KNOWLEDGE AND STEWARDSHIP WITHIN A FAMILY BUSINESS

A Research Project

Presented to the Faculty of

The George L. Graziadio

School of Business and Management

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In Partial Fulfillment

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Master of Science

in

Organization Development

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by

Vikki Dorsey

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This research project, completed by

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under the guidance of the Faculty Committee and approved by its members, has been
submitted to and accepted by the faculty of The George L. Graziadio School of Business
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MASTER OF SCIENCE
IN ORGANIZATION DEVELOPMENT

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Abstract

This mixed-methods study examined the impact of forming a family council on family owners' knowledge, commitment, and stewardship within a single family business. Data were gathered from six of the eight owners using survey and dialogue methods. The study provided evidence that family council interventions can indeed provide opportunities for family members to address unresolved family tensions and empower owners to work together productively. The intervention (a) helped members establish a strong foundation for future operation of the family council, (b) engendered greater family member engagement and stewardship, (c) created conditions for acknowledging and discussing family strengths and tensions, and (d) motivated members to take initiative moving forward. Longitudinal mixed-methods research using larger samples of multiple companies and larger ownership groups with varied levels of participation are recommended to extend these findings.

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Chapter 1

Introduction

Family businesses significantly contribute to the global economy, representing 80–98% of all businesses worldwide (Poza & Hisrich, 2012). Family-owned and family-controlled firms represent roughly 70% of all incorporated firms in the U.S. and account for 49% of the national gross domestic product (Poza & Daugherty, 2014). Fully one-third of all Fortune 500 companies are family controlled. According to Anderson and Reeb (2003), family firms constitute over 35% of the S&P 500 Industrial stocks.

Family firms face the same competitive and marketplace threats as other businesses; however, the complexity of relationships in family owned and operated firms add additional layers of challenge, as these businesses must contend with family politics, family values, and relationships among family members (Davis, Allen, & Hayes, 2010). The overlap of family and business often leads to significant conflict (Poza & Daugherty, 2014). Ensuring the long-term health of the family business requires special consideration.

Of the many challenges faced by family firms, the most central and difficult to resolve may be effectively balancing the relationship between family members, family shareholders, and the business managers (Poza & Daugherty, 2014). Members of the founding family may be incented to act in ways that personally benefit themselves, even if that occurs at the expense of company performance (Anderson & Reeb, 2003). As family members grow in numbers, demands for dividends can drain capital from the firm (Miller & Le Breton-Miller, 2006).

An additional key concern of family business owners is retaining family ownership of the family firm (Giarmarco, 2012; Poza & Daugherty, 2014). Research

suggests that nearly two-thirds of family businesses fail during the transition to second generation leadership and only about 15% survive the transition to the third generation (Beckhard & Dyer, 1983; Filser, Krause, & Märk, 2013; Poza & Hisrich, 2012; Ward & Aronoff, 2011).

Some solutions to these problems have been offered in literature. One solution is entrusting leadership of the firm to family members who are committed to good stewardship. A steward is intrinsically motivated to maximize the performance of the organization and to do their best for the owning family (Miller & Le Breton-Miller, 2006).

A second solution is establishing effective family governance structures that promote interaction, cohesion, communication, shared values, and a vision for the family and the business (Mustakallio, Autio, & Zahra, 2002; Poza & Daugherty, 2014). Poza and Daugherty explained that effective governance helps balance the complicated relationships between members of the owning family. Family governance practices also have been associated with effective management of the relationships between the family, business managers, and shareholders (Poza & Hisrich, 2012), as well as with the long-term financial performance and health of the family business and preservation of the family's wealth (Berent-Braun & Uhlaner, 2010; Poza & Hisrich, 2012).

Leading family governance practices include family meetings, family councils, family offices, family reunions, and other forums that encourage interaction between members of the owner family (Berent-Braun & Uhlaner, 2010). Ward and Aronoff (2011) have argued that family meetings are one of the most important resources for assuring continuity of the family business. Creating and sustaining these important practices typically is achieved by forming a family council, a governing body focused on the issues

most relevant to the owning-family (Poza & Hisrich, 2012). The council is staffed by a representative group of family members from both inside and outside the daily workings of the business (Hillburt-Davis & Dyer, 2003). The family council is to the family what the board of directors is to the business (Poza & Hisrich, 2012). In family businesses, the family council represents the family's interests, while the board of directors is responsible for ensuring that the managers of the company are being good stewards of the business.

Study Topic

The purpose of this study was to form a family council for the owner-family of the case organization and to examine the impact of forming the family council on family owners' knowledge, commitment, and stewardship to the business. The family council intervention was conducted in three phases:

1. Phase 1: Baseline measurement. This phase involved the measurement of each owner's knowledge, commitment, and stewardship.

2. Phase 2: Conduct the family council intervention. This phase established the family council through two family council meetings with the family owners.

3. Phase 3: Evaluate and gather feedback. This phase involved the measurement of each owner's knowledge, commitment, and stewardship at the close of the intervention. A group discussion also was conducted to debrief the process and gather feedback.

Case Organization

The study was conducted within Acme Industrials[1], a family owned and operated business based in the Western U.S. Founded in the early 1960s by John Smith, Acme Industrials was originally an industrial hose distributor. Over the years, the business expanded into designing and manufacturing low-pressure fluid transfer products for the

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[1] Pseudonyms were assigned to the case organization and family members to protect their identities while promoting readability and ease of reporting in this study.

aerospace industry. Acme Industrials employs approximately 200 people. The company is currently led by the two members of the second generation—Mark Smith and Marsha (Smith) Jones, the founder's children (see Figure 1). Mark and Marsha collectively own 94% of Acme Industrials and retain 100% of the voting shares for the company. They are fully employed by Acme Industrials and have dedicated their careers to the company's success. They both serve on the board of directors and hold executive positions within the firm. These second generation owners are nearing retirement age and want to ensure the business continues its track record of success.

1st generation	John Smith *Deceased*					

2nd generation *Ownership* *Voting*	Mark Smith 47% 50%			Marsha (Smith) Jones 47% 50%		

3rd generation *Ownership* *Voting*	Tyler 1% 0%	Madlyn 1% 0%	Jim 1% 0%	Alexa 1% 0%	Sofia 1% 0%	Jake 1% 0%

Note. Only direct descendents (not spouses) are family owners

Figure 1

Acme Industrials' Ownership Structure

Mark and Marsha each have three children. These six individuals comprise the third generation of the family business. At the time of the study, two of the six third generation family members have established careers at the family firm. The remaining four have not expressed a desire to work for the family business, although each of the six will one day inherit one-sixth of the company. The second generation owners also recognize that the complexity of ownership will expand when more family members become primary shareholders. A buy-sell agreement is in place to provide a clear path for

any individual family shareholder to sell his or her stocks back to the company should he or she want to exit the business.

Mark and Marsha recognize the importance of educating all third generation members about the business to ensure that they can exercise effective stewardship in their roles as owners. Additionally, Mark and Marsha want to assure that the company continues to grow and maintains full family control and ownership.

In the past, the company has convened family meetings with the aid of a family business consultant for the purpose of unifying members of the owner family. These meetings focused on communicating family history and values, providing financial education, and reporting on company performance.

The second generation owners have demonstrated a dedication to continuing education and development. They actively participate in the Center for Family Business at California State University, Fullerton, to continue to gain knowledge about best practices in family business. Both Mark and Marsha completed the presidential/key executive master's of business administration program at Pepperdine University. A member of the third generation also graduated from the executive master's of business administration program at Pepperdine. Two of the capstone projects completed as a part of those programs included a section on family governance at Acme Industrials. Acme leadership has identified the following education needs for family owners: equipping owners with fundamental knowledge about the company—about its products, clients, and suppliers; and about ownership rights and responsibilities.

Mark and Marsha desire to engage this next generation at a level of involvement appropriate for each family member, understanding the importance that each member participate and contribute according to his or her own interest and capacity. To do so,

they agreed to the present research project to implement a working family council to better prepare the members of the third generation to be effective stewards of the company.

Study Significance

This research was motivated by a desire to advance the efforts of family firm leaders and the practitioners who work with them. The intent was to continue to discover how to best prepare next generation owners to become effective stewards of family firms and their resources. A gap exists in current research regarding how to engage family member owners who will not necessarily pursue a career in the family firm. Although family members not active in the business are often ignored in family business literature, these owners often have significant impacts on long-term business processes and performance (Poza & Daugherty, 2014). It is important that all family shareholders are well educated about the firm and their stewardship responsibilities. This research provided insights about the impact of a family council intervention on individual owners' knowledge, commitment, and stewardship of their firms.

Definitions

1. Family business: a business that is controlled through ownership and/or management by one or more members of a family (Bork, Jaffe, Lane, & Heisler, 1996; Hilburt-Davis & Dyer, 2003; Poza & Daugherty, 2014).

2. Family council: a governing body focused on the issues most relevant to the owning-family (Poza & Hisrich, 2012). The group is generally a representative group of family members both from inside and outside the business (Hillburt-Davis & Dyer, 2003).

3. Family governance practices: a body of best practices that help the family business navigate the relationships between the owning-family members and their responsibilities as shareholders of the firm. Examples include family constitutions, family councils, family meetings, family offices, codes of conduct, boards of directors, and advisory boards (Berent-Braun & Uhlaner, 2012; Poza & Daugherty, 2014; Ward & Aronoff, 2011).

4. Steward: in the context of a family business, "a decision maker who is a caretaker of a family's assets, who desires to pass a healthier and stronger business to future generations" (Davis et al., 2010, pp. 1093-1094).

5. Stewardship: acting altruistically for the benefit of the firm (Davis, Schoorman, & Donaldson, 1997; Miller & Le Breton-Miller, 2006) and serving the good of the organization over one's self-interest (Davis et al., 2010).

Organization of the Study

This chapter has served to provide background and context for the study. The prevalence of family firms and the significant contributions they make to the national and global economy has been described. The unique challenges associated with integrating family and business priorities have been highlighted. Definitions of family business, governance practices, and stewardship have been provided.

The next chapter reviews previous literature and research relevant to the study. Theories related to family business, family council, and stewardship are examined and discussed.

Chapter 3 describes the methods used in this project. The present study utilized a mixed-method action research design aimed at supporting the efforts of a family business striving to prepare the third generation to prepare to take on ownership and stewardship responsibilities of the firm. The third chapter describes the research design, participants, the family council intervention administered, and procedures related to data collection and analysis.

The results of the study are presented in chapter 4. Questionnaire findings are presented first, followed by a report of the findings from the group forum discussion that occurred at the conclusion of the second family council meeting.

Chapter 5 presents the key findings, conclusions, limitations of this study, recommendations for Acme Industrials' owners, recommendations for family business practitioners and key advisors, and suggestions for continued research.

Chapter 2

Literature Review

The purpose of this study was to form a family council for the owner-family of the case organization and to examine the impact of forming the family council on family owners' knowledge, commitment, and stewardship to the business. This chapter highlights existing theory and research related to family councils and stewardship.

Family Business

Definitions of family businesses are many and range widely. Criteria for what constitutes a family business vary from percentage of ownership, to the number of family members involved, to the role that family members play. Berent-Braun and Uhlaner (2010) offered the simple and succinct definition that a family businesses is owned by two or family members. Anderson and Reeb (2003) defined the family firm as an enterprise where the family has an equity ownership stake or board seats. Miller and Le-Bretton Miller (2006) defined family business as an enterprise where one or more members of a family control at least 20% of outstanding votes. They add that although all family businesses are owned to some extent by family members, the businesses may or may not be managed by members of the owning family.

Sharma, Chrisman, and Chua (1997) focused their definition on the vision outlined by the owning family. They defined family business as one that is managed on a "sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families" (p. 1). Astrachan and Shanker (2006) offered three definitions of *family firm,* ranging from an inclusive, liberal definition to a limited, stringent definition. The most inclusive definition is that a family firm is an enterprise whose strategic direction is

controlled by the family and where there is some level of family participation. A less inclusive definition is that the family firm is run by the founder or a descendant and the intent is it to keep the firm within the family. The most stringent definition is that a family firm is managed by more than one member of the family and multiple generations of the owner family are involved.

Elements of many of these definitions are leveraged in this study, which relied on Poza and Daugherty's (2014) definition that a family business sustains the dream of family ownership across generations and:

> constitute[s] the whole gamut of enterprises in which an entrepreneur or next-generation CEO and one or more family members strategically influence the firm. They influence it via their managerial or board participation, their ownership control, the strategic preferences of shareholders, and the culture and values family shareholders impart to the enterprise. (p. 6)

Family businesses have many reported benefits and drawbacks. Benefits include the ability to focus on family members and support their personal goals. Studies have found that family firms deliver significantly better return on assets than non-family firms. (Anderson & Reeb, 2003). Anderson and Reeb pointed out that family leaders within the family business often have long tenures. They reasoned that these leaders think along longer horizons when it comes to making investments and decisions. This, in turn, culminates in a stewardship mindset associated with more favorable returns and strong competitive advantages. They added that family members (compared to non-family employees) may have a deeper commitment and attachment to their firms because the firm represents their family legacy, financial well-being, and reputation. It follows that the family has strong motivation to stay involved because the family reputation and wealth are tied to the success of the business.

Family firms also face unique challenges. Family businesses are subject to the same competitive forces as other firms. In addition, they must address family tensions and politics as well as conflicting needs, temperaments, and values of diverse family members (Davis et al., 2010). In addition, majority shareholders with substantial power in the business can abuse that power and make self-serving decisions at the expense of the firm (Anderson & Reeb, 2003; Miller & LeBreton-Miller, 2006).

Past literature has suggested that several mechanisms and best practices can help family businesses rise to their challenges and navigate in ways that promote the long-term health of the both the family and the family business. Such practices include family governance. This study proposes that developing stewardship attitudes in the owners can help to minimize this threat to the family business.

Family Council

Family council is one of a body of practices referred to as *family business governance*, systems that help the stakeholders in a family business balance the needs of the owners and the enterprise resulting in the promotion of family unity and the financial health of both the family and business (Berent-Braun & Uhlaner, 2010; Poza & Daugherty, 2014; Poza & Hisrich, 2012). Governance systems are designed to help the owning family address the legal, management, and family structures affecting the business (Hilbert-Davis & Dyer, 2003).

Some authors highlight the complementary goals of family unity and financial health by classifying governance practices in two categories: contractual governance and relational governance (Berent-Braun & Uhlaner, 2010; Mustakallio et al., 2002). Contractual governance concerns issues such as addressing the company's legal entity and management structures. Relational governance concerns a set of practices aimed at

enhancing communication, social interaction, and unity among family members; reducing conflict; and managing relationships. Berent-Braun and Uhlaner (2010) define relational governance as a "form of social control that augments contractual governance in the family firm" (p. 104). These practices increase the likelihood that the family can create tools to help them work together towards a shared vision and goals. Alternately, the board of directors or family office may work to represent and advocate the respective interests of family members and provide a forum for family owners to resolve conflicts (Bork et al., 1996).

Two important outcomes of governance practices include establishing accountability and setting clear family policies to govern family members' participation in the business (Ward & Aronoff, 2011). Sometimes these are established through formalized family constitutions and family meetings (Poza & Hisrich, 2012; Ward & Aronoff, 2011). Evidence of effective governance systems are found in family businesses that have clearly stated missions and goals, highly functioning boards of directors, and sound succession and transfer of ownership plans. These structures and guidelines encourage joint decision making that reflects the needs and interests of the family and the management of the firm (Poza & Hisrich, 2012).

The family council is a formal governance body focused on issues relevant to the owning family. It represents the family's interests and advocates on its behalf, much like the board of directors does for the business (Poza & Hisrich, 2012). A family council engages the family members in active participation with the family business.

Membership of the family council. Family councils are comprised of members of the owning family who represent the various branches and generations of the family (Berent-Braun & Uhlaner, 2010). In smaller firms, all adult members of the owner-family

may participate on the family council. As the owning-family gets larger, members may elect a smaller group to represent the family on the council (Eckrich & McClure, 2012). Family business practitioners recommend that the number of members on a family council should not exceed 15 (Poza & Hisrich, 2012).

Importantly, the council is intended to engage both those family members who work within the business as well as those who do not (Hillburt-Davis & Dyer, 2003; Ward & Aronoff, 2011). Engaging those family members who will own a stake in the company but who do not desire to work in the company is a particular challenge. Poza and Daugherty (2014) pointed out a substantial gap in existing research that family members not actively involved in the operation of the business are largely ignored in family business literature. This is even more concerning given that this population often has impact on the direction of the company. Conflict may arise from their needs being ignored.

Purpose of the family council. The purpose of the family council is to work on behalf of the family and advocate for its interests (Eckrich & McClure, 2012). Often, councils create a charter to help maintain their focus on these guiding purposes ("How to Create a Family Council," 1992; Ward & Aronoff, 2011). Poza and Hisrich (2012) outlined several key functions of the family council: promoting communication, providing a safe harbor for family conflict resolution, supporting the education of next generation, and addressing financial and ownership issues.

Enhanced communication and conflict resolution among family members are achieved partly through having regular family council meetings. Regular council interaction enhances bonds between family members and fosters commitment to the family's shared vision and goals (Berent-Braun & Uhlaner, 2010). Participation in

meetings helps to build trust between members and promotes improved communication that consequently may help the family resolve conflicts and learn how to productively deal with family dynamics affecting their roles as owners (Poza & Daugherty, 2014). Importantly, there is no guideline regarding frequency and each firm needs to decide on an appropriate timeline. Smaller firms may need to meet more frequently, while others may see fit to meet quarterly or even annually (Hillburt-Davis & Dyer, 2003). Some families include a family retreat as a part of their family council meetings ("How to Create a Family Council," 1992).

Family councils also assume responsibility for educating family members on various matters, as successfully engaging and educating family members in the upcoming generations is a critical aspect of ensuring the firm's long-term success (Poza & Daugherty, 2014; Poza & Hisrich, 2012). Topics for education include issues that affect all members of the owning family, such as estate planning, taxes, ownership (buy/sell agreements), trusts, and other financial matters (Poza & Daugherty, 2014). Educating family members who are not active in the business operations on a daily basis is also a valuable agenda item for family councils.

Another key function of the family council is to facilitate owners' decision-making processes and invite all members of the owning family to have a voice in ownership matters (Hillburt-Davis & Dyer, 2003; Ward & Aronoff, 2011). Together, the members of the council articulate and develop shared values, philosophies, and policies that concern the family's involvement in the business ("How to Create a Family Council," 1992; Ward & Aronoff, 2011). Members collaborate to define their goals and make decisions together on policies affecting their relationship with the business. For example, the council can help the family identify non-economic goals and create a

strategy for achieving those goals (Poza & Daugherty, 2014). This can include supporting

the family members in their education and professional interests, even outside of the core

business. Often the family council also supports family brand initiatives and philanthropy

efforts. These efforts may address issues of legacy and the impact they want to have on

the communities they serve ("How to Create a Family Council," 2012). All of these

activities are intended to bring the family together in such a way to define and support the

family values and mission.

      Through these varied activities, the family council helps the owning family

balance the competing demands of the family, ownership, and firm management, which

in turn encourages a healthy relationship between the family and the business (Poza &

Hisrich, 2012). The next section discusses the reported benefits of family councils.

      Benefits of the family council. Sound family governance practices are shown to

produce many favorable outcomes that support the long-term financial success of both

the business and the owning family (Berent-Braun & Uhlaner, 2012). Ward and Aronoff

(2011) identified family meetings as one of the three most important steps (in addition to

having an active board of directors and strategic leadership by the firm's management)

that business-owning families can implement to ensure continuity of the family firm. A

key function of family council and other governance practices is to encourage cohesion

and alignment within the family in service of creating value for the firm (Berent-Braun &

Uhlaner, 2010).

      Family governance practices have been associated with strong decision quality

and commitment among family members, due to their improved social interactions and

creation of a shared vision (Berent-Braun & Uhlaner, 2010; Mustakallio et al., 2002). The

practices have the potential to inspire owners to subordinate their own needs to the need

of the business (Berent-Braun & Uhlaner, 2010). Nordqvist, Habbershon, and Melin (2008) found that family governance practices may focus the family members on building wealth as a group, thus, foregoing an emphasis or focus on self-serving interests.

Family councils, in particular, have been associated with strengthening both the family and the business (Ward & Aronoff, 2011). Family members across generations have demonstrated stronger commitment to their firms following creation of a common vision, shared set of values, and clarification of the family legacy that underlies the business (Poza & Daugherty, 2014). Berent-Braun and Uhlaner (2010) added that operating norms and clarifying how each family member fits into the business can create a strong foundation for the family and council members for years to come. The importance of this common and foundational understanding becomes particularly keen as the family grows and ownership is increasingly dispersed across individuals with rapidly diverging interests, needs, and expectations.

Although individual members' personal financial needs and visions for the company can have serious implications on the firm, Anderson and Reeb (2003) found that family controlled firms exhibit significantly better market performance than non-family firms. Additionally, they found that family shareholders may observe longer time horizons when it comes to business monitoring and planning, potentially resulting in them having more patience with long-term projects.

Family councils have been noted for their success in enhancing communication, unity, and conflict resolution across family members (Berent-Braun & Uhlaner, 2010; Filser et al., 2013). This may, in turn, enhance family members' *associability*, meaning their willingness to subordinate their own goals to the collective goals of the group and the business (Berent-Braun & Uhlaner, 2010). Berent-Braun and Uhlaner explained that

families that function effectively as a team can encourage individual owners to prioritize the needs of the owning family ahead of their own. This, in turn, has been shown to positively affect the financial success of both the family and the business. Thus, it appears that family councils may be effective in teaching members how to be good stewards of the company (Anderson & Reeb, 2003). This is invaluable, as stewardship behaviors among owners has been shown to be a competitive advantage for family firms (Berent-Braun & Uhlaner, 2010; Davis et al., 2010; Eddleston & Kellermanns, 2007). The next section examines stewardship in detail.

Stewardship

Stewardship refers to acting altruistically for the benefit of one's firm (Davis et al., 1997; Miller & Le Breton-Miller, 2006) and serving the good of the organization over one's self-interest (Davis et al., 2010). In the context of a family business, a steward is "a decision maker who is a caretaker of a family's assets, who desires to pass a healthier and stronger business to future generations" (pp. 1093-1094). Stewardship theory asserts that such individuals may aspire to a higher purpose and be intrinsically motivated to act with altruism for the benefit of the firm and its owners (Miller & Le Breton-Miller, 2006).

Cultivating stewardship. Research by Davis and colleagues (Davis et al., 1997; Davis et al., 2010) has suggested that certain conditions may encourage stewardship behaviors and relationships within companies. Notably, much of the existing stewardship research has focused on managerial attitudes and behaviors rather than on owners or shareholders of family businesses; however, the findings of such studies may be transferable to the population examined in the present study.

Davis et al. (1997) found in their examination of situational characteristics within organizations that stewardship-based relationships tend to emerge in situations that

engender trust and where the organizational culture is more collectivist in nature. The researchers additionally found that environments where subordinates are given challenges and responsibility but retain the freedom to determine how to fulfill their responsibilities also encourage stewardship behaviors.

In a later study of family businesses, Davis and his colleagues found that when family members' personal values and beliefs were closely aligned with the organization's values, the members may view the organization as an extension of themselves and, in turn, exhibit stewardship behaviors (Davis et al., 2010). The researchers further explained that "the shared values represented by high levels of value commitment indicates a group orientation where harmony and group or organization success holds greater value than individual achievement" (p. 1096).

Importance of stewardship. Good stewards of a business often demonstrate deep commitment to the family firm (Miller & LeBretton-Miller, 2006), in turn, protecting employees and shareholders alike. By being internally driven and motivated to put the firm's interest ahead of their own, a steward will protect the shareholder's wealth by supporting and assuring the performance of the firm (Davis et al., 1997).

Self-serving members of the owning family can harm the firm (Davis et al., 2010). Engaging members of the family and creating conditions that support stewardship relationships can inhibit the strife, conflict, and other relationship problems that often erode family firms over time (Eddleston & Kellermanns, 2007). Developing stewards of the firm who can help keep everyone focused on the success of the business is critical (Davis et al., 2010; Eddleston & Kellermanns, 2007).

Miller and LeBretton-Miller (2006) noted that stewardship is a hallmark of long-standing family businesses that intend to keep the business within the family. In such

families, members understand the symbiotic relationship between business and family and that supporting the interests of the business means supporting the long-term interests of the family. They explained that in such businesses:

> strategic decision making is more apt to reflect long-run stewardship and the incentive to monitor managers will be greater. The tendency will be to sacrifice for the business to benefit subsequent generations and that can lead to generous resource commitments, extended time horizons, distinctive capabilities, and superior financial returns. (p. 81)

Summary

Family businesses constitute a powerful economic engine on both a national and a global scale (Poza & Hisrich, 2012). In addition to navigating the challenges that affect non-family firms, family businesses must negotiate the additional layers of complexity imposed by blending business and family (Davis et al., 2010; Poza & Daugherty, 2014). Assuring the long-term health of the family business requires special consideration and approaches.

A particularly prominent threat to the long-term health of the family business and the family that owns it is family members' self-interest (Anderson & Reeb, 2003), whether it occurs in the form of nursing family conflicts, draining capital from the firm, or any other destructive behavior that ultimately jeopardizes family ownership of the family firm (Giarmarco, 2012; Miller & Le Breton-Miller, 2006; Poza & Daugherty, 2014). Statistics indicate that 33% of family businesses survive to the second generation and only 15% survive the transition to the third generation (Beckhard & Dyer, 1983; Filser et al., 2013; Poza & Hisrich, 2012; Ward & Aronoff, 2011).

Approaches for assuring the survival and success of family businesses have focused on establishing effective family governance structures that promote interaction, cohesion, communication, shared values, and a vision for the family and the business

(Berent-Braun & Uhlaner, 2010; Mustakallio et al., 2002; Poza & Hisrich, 2012; Poza & Daugherty, 2014; Ward & Aronoff, 2011) as well as promoting good stewardship among family owners (Miller & Le Breton-Miller, 2006).

Central to the present study are findings that family councils, a leading best practice related to family governance, guides family members in creating shared values that are aligned with the firm's values (Berent-Braun & Uhlaner, 2010). Creating shared values of this nature has been associated with enhanced levels of stewardship (Davis et al., 2010). Additionally, family council meetings were noted for increasing levels of trust between family members (Poza & Daugherty, 2014), which also was found to promote stewardship behaviors (Davis et al., 1997). It follows that family councils may help create the conditions for stewardship attitudes and behaviors to emerge among the members of the owning family. Examining the impact of a family council intervention on family members' stewardship, commitment, and knowledge was the focus of the present study. The next chapter describes the methods used to conduct the study.

Chapter 3

Methods

The purpose of this study was to form a family council for the owner-family of

the case organization and to examine the impact of forming the family council on family

owners' knowledge, commitment, and stewardship to the business. This chapter describes

the methods that were used in this project. The research design is described first,

followed by descriptions of the participants. The family council intervention is then

described. Procedures related to data collection and analysis are then overviewed.

Research Design

This study was designed using a mixed-methods approach. Mixed-method

approaches involve the collection of both quantitative and qualitative data to allow for

measurement of the variables being examined as well as to gather more in-depth insights

about the phenomenon under study (Creswell, 2009). Quantitative data was gathered

using a survey in order to statistically measure the impact of the intervention on owners'

personal connection and commitment, sense of responsibility for, and knowledge of the

business, as well as the business outcomes they value and their identification with

company values.

These statistical data allow for an easy comparison both among the participants

and collectively before and after the engagement with the client. Qualitative data was

captured during a group discussion facilitated at the end of the 6-month client

intervention. This forum allowed for rich discussion where participants were able to

describe how the experience affected them individually and collectively. The mixed

methods approach allowed for comparison and connections between the two types of

data. Mixed-methods research was deemed most appropriate for this study because of the very small sample size and the intimate nature of the intervention done.

Participants

This study was conducted within Acme Industrials, a single family-owned enterprise. The enterprise is fully owned and controlled by the members of the founder's family. The founder (John Smith), who represents the first generation of ownership of the business, is deceased. All eight shareholding members of the second and third generations of the owning family were invited to participate in the study.

Second generation: Comprised of the founder's two children:

1. Mark Smith is in his 60s and has dedicated his career to the family firm. He no longer has an active role in the business, as his health is failing. Mark holds a master's of business administration from Pepperdine University.

2. Marsha (Smith) Jones also is in her 60s and also has dedicated her career to the family firm. She currently serves as president of the company and chairman of the board. She holds a master's of business administration from Pepperdine University. Marsha also serves on the board of the Family Business Center at California State University, Fullerton.

Third generation: Comprised of Mark's three children and Marsha's three children:

1. Tyler Smith is in his 30s. He is not involved in the day-to-day business, as he owns and operates two small businesses unrelated to the family enterprise. He lives several hours away from Acme Industrials' business location.

2. Madlyn Smith is in her 30s and was not employed at the time of the present study.

3. Jim Smith is in his 30s and was not employed at the time of the study.

4. Alexa Jones is in her 30s and is currently employed at the firm as a manager of customer service. She holds a master's of business administration from Pepperdine University.

5. Sofia Jones is 29 years old and works as a recruiter for another firm.

6. Jake Jones is in his 20s and is employed at the firm as an engineer in manufacturing. He holds a bachelor of arts degree.

Family Council Intervention

Central to this study was conducting an intervention with the members of the owning family to create a family council, beginning with Hogan Personality Assessments followed by teambuilding and the forming of a family council.

Hogan personality assessments. In preparation for the first council meeting, Hogan personality assessments were administered and debriefed with each member of the family council. The purpose of the assessment was to help participants initiate self-discovery regarding their own motivations, values, leadership styles, and potential obstacles. Assessment results and interpretive reports were provided to each participant and these documents were debriefed one-on-one with the researcher by telephone. Emphasis was placed on self-discovery, highlighting strengths, identifying strategies and opportunities for development, and understanding each individual's potential within the team of family owners. Importantly, each individual is responsible for deciding for himself or herself what to work on and how the assessment information may help him or her become a productive participant in the family council. These activities were completed before the first family council meeting commenced. These results remained confidential. During the family council meetings, participants were invited to voluntarily share their results and many chose to do so.

Family council meetings. Two family council meetings (see agendas in Appendix A) were held over the course of 5 months. The meetings were facilitated and a number of outputs were delivered during those meetings.

First meeting. The first family council meeting was held in early August 2014 in the Acme Industrials conference room. Group dynamics are complicated and become more so when adding into the mix family history and relationships. The first council meeting was designed with this in mind. Its purpose was to lay a foundation for effective communication among family members and to establish the broad objectives and responsibilities of the council. The goal of the facilitation of this session was to support each family member in finding his or her voice in the most productive way possible. Allowing members of the family to express their concerns or fears and encouraging the collective to address concerns in a healthy way was believed to promote effective functioning of the council.

The meeting lasted 6 hours. After welcome and introductions, Marsha Jones introduced the concept of the family council and explained its purpose and function. The facilitator then presented a roadmap for forming the family council. Family council roles then were discussed and roles were assigned.

Next, team effectiveness was discussed. The individual Hogan Assessment reports were used to create a group profile that was discussed during the meetings. As a group, the family members explored their individual and team strengths and opportunities for development. This discovery provided a foundation for discussing how each person can contribute to the group in a way that allows his or her strengths to flourish. At this time, participants were invited to voluntarily share their Hogan assessment results and many chose to do so. Members were encouraged to share only the information from the assessment they were comfortable sharing with the group. The family members also explored potential communication pitfalls and how to prepare themselves to overcome those challenges before they occur. In this way, the identity of the family council was

established on a foundation of transparency and with the goal of a successful engagement with one another.

Conflict norms (see Appendix B) and rules of engagement (see Appendix C) also were discussed. Lencioni's (2002) model for the Five Dysfunctions of a Team and exercises for establishing rules of engagement and conflict norms were used to facilitate this session. Exercises that supported appropriate levels of self-disclosure and vulnerability also were facilitated. Following this discussion, the next Acme Industrials family council meeting was scheduled.

Second meeting. The second family council meeting was held at the end of December 2014 in the Acme Industrials conference room. The meeting lasted 5 hours. After welcome and introductions, the family attorney provided education to the participants about buy/sell agreements. After this time, the post-survey was administered in hard copy to the members (see Appendix D) to measure members' knowledge and stewardship toward the business. Participants returned the completed surveys immediately upon completion.

Next, family council meeting roles were discussed and assigned. Roles included facilitator; note-taker; timekeeper; and parking lot attendant, who was responsible for tracking those ideas and issues that were raised but deferred to some future point in time. Family council purpose and functions were also reviewed, including family council and Board of Directors responsibilities, conflict agreements (see Appendix B), and rules of engagement (see Appendix C). Thereafter, employment of owner-family members at Acme Industrials was discussed.

A Hogan Personality Assessment exercise was convened to allow members to view the council's collective strengths. This exercise relied upon the 10 scales measured

by the Hogan Motives, Values, Preferences Inventory, which are recognition, competition, fun, service, team, tradition, risk tolerance, finance, quality, and problem solving. The assessment provides a report of whether the respondent rates each value high or low. The 10 scales were listed on a flipchart at the front of the room, each with an accompanying horizontal axis ranging from 0 (low) to 100 (high). Each participant received 10 dot stickers, on which they wrote their names. Then, they placed their stickers on the axis to reflect their ranking for each scale. Once everyone had placed his or her stickers, a group discussion was convened regarding the similarities, differences, and collective strengths and weaknesses suggested by the collective Hogan rankings as well as what the collective rankings mean for the group.

An exercise to identify shared family council values was then initiated. The group was broken into three pairs, based on current seating arrangement in the meeting and with the aim of maximizing a blend between the families. Each group received a set of 12 value cards (e.g., teamwork, honesty, accountability). Each pair discussed the values and selected their top three to five values. The large group was reconvened to discuss the results. The group then identified the following set of 12 shared values: creativity/innovation, volunteerism/service, integrity, fun, competence/effectiveness, loyalty, teamwork, honesty, legacy, family, growth, accountability.

Next steps for the family council were then identified, including finalizing the family charter, which defines how they will self-govern; articulating the mission statement; and memorializing the shared values by listing them and describing what each means to the family council. Marsha was given the task of appointing someone to work with her to complete these tasks within the following month and to present the results at the next family council meeting.

At this point, the group forum discussion was convened to gather participants' open-ended responses regarding the impacts of the family council intervention as described below. Finally, the next Acme Industrials family council meeting was scheduled.

Data Collection Procedures

Data were collected using two approaches. Quantitative data were gathered using a pre and post survey (see Appendix D). Qualitative data were gathered using a group discussion facilitated at the end of the 6-month family council intervention. The specific procedures for each form of data gathering are described in the following sections.

Questionnaire. A questionnaire was designed to measure family members' (a) personal sense of connection and commitment to the family enterprise, (b) sense of personal responsibility for the firm's success, (c) knowledge of various aspects of the business, and (d) personal alignment with the declared business values (see Appendix D). The survey was organized into five categories of questions. A five-point Likert scale was provided for the answer choices, with 1 representing low connection, sense of responsibility, or alignment and 5 representing high connection, sense of responsibility, or alignment (see Appendix B for specific anchor points). The questionnaire was administered online before the family council intervention and a second time in hard copy during the second family council meeting. Administering the questionnaire twice allowed for assessment of the intervention's impact on Acme Industrials' family owners.

The online pre-survey was administered using Qualtrics. This platform allowed individuals to complete the survey at their convenience using a mobile or a web-based application. The post-survey was administered in hard copy during the second family council meeting and participants immediately returned their completed questionnaires.

Group forum discussion. A 40-minute group forum discussion, which is a facilitated discussion similar to a focus group was held at the end of the second family council meeting (see Appendix A). The conversation was recorded and transcribed for analysis. Six members were in attendance and participated in the discussion, giving detailed feedback. This format was chosen, due to the geographic dispersion and limited availability of the family members for one-on-one interviews. Questions were designed to gather detailed feedback about the intervention's impact on family members and to solicit feedback about the process. Eight questions were posed, along with probing questions to prompt a rich discussion:

1. What have we accomplished together?

2. How helpful has this been?

3. How satisfied are you with these results?

4. How satisfied are you with the process we have used?

5. What has worked well for you?

6. What are the challenges?

7. What will you do next?

8. What feedback do you have about the process?

The discussion was recorded and transcribed for later data analysis.

Data Analysis Procedures

Survey data were analyzed as follows:

1. Mean and standard deviation statistics were calculated for each construct (e.g., personal connection and commitment to the business) and each point in time (i.e., pre-test, post-test).

2. Data were not gathered in a way that allowed pairing of the pre- and post-tests; therefore, independent samples t-tests were used to compare the aggregate mean scores across the points in time to detect any significant differences in the scores.

Two phases of coding were conducted to analyze the group forum data. In the first round of coding, key ideas evident in participants' responses were identified using ad hoc themes (e.g., impact). Data were then reorganized by theme. This round continued until the themes best reflected the study data. In the second round of coding, the themes were compared to the survey findings and areas of agreement, disagreement, and complementarity were identified.

The study findings will be provided to the client. The goal is to present the client with helpful information about opportunities for further development of the family council as an integral part of their overall strategy. The client will be invited to share their interpretation of the findings as well. The consultant that has been working with the client over the past several years will also be invited to review the data and conclusions. Both the client and the consultant will be able to offer their experience and expertise to validate and challenge the findings of the study.

Summary

This mixed-methods study was conducted within a single family business of eight owners. Data were gathered using survey and dialogue methods. Survey data were analyzed using descriptive and inferential statistics. Data gathered through the dialogue procedure were subjected to content analysis. The two forms of data were compared to generate a rich understanding of the impact of the family council intervention on the family members. The next chapter reports the findings of the study.

Chapter 4

Results

The purpose of this study was to form a family council for the owner-family of

the case organization and to examine the impact of forming the family council on family

owners' knowledge, commitment, and stewardship to the business. This chapter reports

the results that emerged from the study. Questionnaire findings are presented first,

followed by a report of the group forum findings.

Questionnaire Findings

A pre- and post-questionnaire was designed to measure family members' (a)

personal sense of connection and commitment to the family enterprise, (b) sense of

personal responsibility for the firm's success, (c) knowledge of various aspects of the

business, and (d) personal alignment with the declared business values. Findings in each

area are reported in the following sections.

Personal connection and commitment to the company. Participants were asked

to rate their personal connection and commitment to the company before and after the

family council intervention (see Table 1). On average on the pre-survey, participants

agreed or strongly agreed with the statements (M = 4.77, SD = .23). The lowest score was

reported for "I am proud to tell people I am a member of this family" (M = 4.00, SD =

1.10). Participants appeared to strongly agree with all other items (mean scores ranged

from 4.80 to 5.00) and also showed little variation (standard deviations ranged from 0.00

to .45).

Scores were slightly lower on the post-test (M = 4.59, SD = .51, mean diff. =

-.13). As with the pre-test, the lowest scores were reported for "I am proud to tell people I

am a member of this family" (M = 4.00, SD = 1.26, mean diff. = .00). It is additionally

Table 1

Personal Connection and Commitment to the Company

Item	N	Pre-test Mean	SD	Post-test Mean	SD	Mean diff.	Two-tailed t-test t	df	p
I am concerned with the long-term success of Acme Industrials.	6	4.83	0.41	5.00	0.00	.17	1.00	5	.36
I am proud to tell people I am a member of this family.	6	4.00	1.10	4.00	1.26	.00	.00	10	1.00
I am proud of the Acme Industrials brand.	6	4.83	0.41	4.83	0.41	.00	.00	10	1.00
I take pride in being a part of the Acme Industrials owner-family.	6	5.00	0.00	4.80	0.45	-.20	1.00	4	.37
I feel valued as an owner of Acme Industrials.	5	4.80	0.45	4.60	0.55	-.20	.63	8	.55
I trust the information I receive about the business.	5	5.00	0.00	4.60	0.55	-.40	1.63	4	.18
I am optimistic about the future of Acme Industrials.	6	5.00	.00ᵃ	5.00	.00ᵃ	.00	a		
Overall	6	4.77	0.23	4.59	0.51	-0.13	-0.45	9	0.66

1 = strongly disagree or "not at all like me", 5 = strongly agree or "just like me"; ᵃt-test could not be performed because both standard deviations were zero

noteworthy that participants' trust in the information they receive about the business slightly declined (M = 4.60, SD = .55, mean diff. = -.40). Regardless of these slight shifts, independent samples t-tests revealed that the observed differences were not significant. Moreover, all participants reported optimism about the future of the company on both the pre-test and the post-test.

Sense of responsibility for the company's success. Participants were asked to rate their sense of responsibility for the company's success before and after the family council intervention. Results are reported in Table 2. On average on the pre-survey, participants agreed or strongly agreed with the statements (M = 4.42, SD = .67). The lowest scores were reported for "I feel a strong sense of responsibility as a member of the Acme Industrials owner-family" (M = 4.17, SD = 1.33) and "I understand my role as a steward of Acme Industrials" (M = 4.17, SD = 1.33).

Scores were similar on the post-test (M = 4.44, SD = .54, mean diff. = .02), although participants responded that they felt less prepared to participate in the Acme Industrials family council on the post-test (M = 4.40, SD = 0.55, mean diff. = -.27). It is noteworthy that participants' sense of responsibility as a member of the Acme Industrials owner-family increased (M = 4.67, SD = .82, mean diff. = .50). Participants also reported an increased understanding of their roles as stewards of Acme Industrials (M = 4.60, SD = .55, mean diff. = .43). Regardless of these slight shifts, independent samples t-tests revealed that the observed differences were not significant.

Table 2

Sense of Responsibility for the Company's Success

Item	N	Pre-test Mean	SD	Post-test Mean	SD	Mean diff.	Two-tailed t-test t	df	p
I am determined to give my best effort as a member of the Family Council.	6	4.67	0.52	4.80	0.45	.13	.45	9	.66
I feel a strong sense of responsibility as a member of the Acme Industrials owner-family.	6	4.17	1.33	4.67	0.82	.50	.79	10	.45
I often think about the impact I can have on the success of Acme Industrials.	6	4.33	1.21	4.50	0.84	.17	.28	10	.79
I am willing to take initiative and help other members of the family when the need arises.	6	4.50	0.55	4.40	0.55	-.10	-.30	9	.77
I feel prepared to participate in the Acme Industrials Family Council.	6	4.67	0.52	4.40	0.55	-.27	-.83	9	.43
I understand my role as a steward of Acme Industrials.	6	4.17	1.33	4.60	0.55	.43	.73	6.89	.49
Overall	6	4.42	0.67	4.44	0.54	.02	.08	10	.94

1 = strongly disagree or "not at all like me", 5 = strongly agree or "just like me"

Knowledge of the business. Participants were asked to rate their personal knowledge levels of various aspects of the business before and after the family council intervention (see Table 3). On average on the pre-survey, participants reported being somewhat knowledgeable about the various aspects of the business (M = 3.94, SD = 0.98). The lowest scores were reported for knowledge of competitors (M = 3.00, SD = 1.90).

Scores slightly decreased on the post-test (M = 3.78, SD = 1.25, mean diff. = -.16). Notably, participants reported a decrease in knowledge of the products manufactured by the company in the post-test (M = 3.33, SD = 1.51, mean diff. = -.67), but reported they were more knowledgeable of competitors in the post-test (M = 3.50, SD = 1.64, mean diff. = .50). Regardless of these slight shifts, independent samples t-tests revealed that the observed differences were not significant.

Valued business outcomes. Participants were asked to rate the importance they place on specific business outcomes before and after the family council intervention (see Table 4). On average on the pre-survey, participants reported the business outcomes to be either important or extremely important (M = 4.69, SD = .33). The lowest scores were reported for the company's reputation in the local community (M = 4.33, SD = .52). The respondents reported maintaining family ownership of the company as extremely important (M = 5.00, SD = .00).

There was little change of scores on the post-test (M = 4.71, SD = .46, mean diff. = .02). The most notable change in the post-test was a reported increase of importance placed on the company's global reputation (M = 4.83, SD = .41, mean diff. = .33). Regardless of these slight shifts, independent samples t-tests revealed that the observed differences were not significant.

Table 3

Knowledge of the Business

Knowledge Area	N	Pre-test Mean	SD	Post-test Mean	SD	Mean diff.	Two-tailed t-test t	df	p
The products manufactured by Acme Industrials.	6	4.00	1.10	3.33	1.51	-0.67	-0.88	10	.40
Acme Industrials' customers.	6	4.17	1.17	3.67	1.37	-0.50	-0.68	10	.51
Acme Industrials' competitors.	6	3.00	1.90	3.50	1.64	0.50	0.49	10	.64
Value proposition – why our customers choose Acme Industrials over competitors.	6	4.50	0.55	4.33	0.82	-0.17	-0.42	10	.69
The Acme Industrials business model.	6	4.33	0.52	4.17	1.17	-0.17	-0.32	10	.76
Acme Industrials' performance this fiscal year.	6	3.67	1.51	3.67	1.51	0.00	0.00	10	1.00
Overall	6	3.94	0.98	3.78	1.25	-0.16	-0.26	10	.80

1 = not knowledgeable 5 = extremely knowledgeable

Table 4

Valued Business Outcomes

Business Outcome	N	Pre-test Mean	SD	Post-test Mean	SD	Mean diff.	Two-tailed t-test t	df	p
Acme Industrials' reputation in the local community	6	4.33	0.52	4.33	0.52	0.00	0.00	10	1.00
Customer satisfaction with Acme Industrials' products	6	4.83	0.41	4.83	0.41	0.00	0.00	10	1.00
Maintaining family ownership of Acme Industrials	6	5.00	0.00	4.83	0.41	-0.17	1.00	5	0.36
Acme Industrials' employee satisfaction	6	4.83	0.41	4.83	0.41	0.00	0.00	10	1.00
Being actively involved with Acme Industrials	6	4.50	0.84	4.67	0.52	0.17	0.42	10	0.69
Acme Industrials' long term financial success	6	4.83	0.41	4.67	0.52	-0.17	-0.62	10	0.55
Acme Industrials' global reputation	6	4.50	0.55	4.83	0.41	0.33	1.20	10	0.26
Overall	6	4.69	0.33	4.71	0.31	0.02	0.13	10	0.90

1 = not at all important, 5 = extremely important

Identification with the company values. Participants were asked to personally rate the importance of each of the 14 declared Acme Industrials business values before and after the family council intervention (see Table 5). On average on the pre-survey, participants reported that the business values are very important (M = 4.76, SD = .43).

Responses on four of the values remained unchanged in the post-survey. The scores on the remaining 10 values were slightly decreased (M = 4.54, SD = .37, mean diff. = -.23). Notably, the respondents scored the business value of "If it aint broke, don't fix it Attitude" reflected the largest decrease in the post-survey (M = 3.83, SD = .75, mean diff. = -.97) and this difference was significant t(9) = -2.51, p < .05.

Group Forum Discussion and Analysis

A group forum discussion was held at the end of the second family council meeting. This meeting marked the formal end of the intervention with the client. Six of the eight members of the family council were in attendance. The members of the council were asked questions about their experience throughout the intervention. Findings revealed insights about the impacts of the family council intervention on family council structure and operations and members' knowledge and attitudes. Engaging in and discussing the intervention also revealed insights about how the family council members were addressing family dynamics. Finally, members offered feedback about the intervention process and identified next steps for the family council. These findings are discussed in the following sections.

Table 5

Identification with the Company Values

Company Value	N	Pre-test Mean	SD	Post-test Mean	SD	Mean diff.	Two-tailed t-test t	df	p
Customer Service	6	4.83	0.41	4.83	0.41	0.00	0.00	10	1.00
Reliability	6	4.83	0.41	4.83	0.41	0.00	0.00	10	1.00
Being on Time	6	4.83	0.41	4.67	0.52	-0.17	-0.62	10	0.55
Quality Products	6	5.00	0.00	4.83	0.41	-0.17	-1.00	5	0.36
Employees are Valued	6	5.00	0.00	4.67	0.52	-0.33	-1.58	5	0.18
A Family-Like Corporate Culture	6	4.67	0.52	4.33	0.52	-0.33	-1.12	10	0.29
A "We will figure it out" Mentality	6	4.67	0.52	4.17	0.41	-0.50	-1.86	10	0.09
Resourcefulness	6	4.67	0.52	4.50	0.55	-0.17	-0.54	10	0.60
Innovation	6	4.67	0.52	4.67	0.52	0.00	0.00	10	1.00
Flexibility	6	4.67	0.52	4.50	0.55	-0.17	-0.54	10	0.60
Simplicity	6	4.50	0.55	4.50	0.55	0.00	0.00	10	1.00
Organic Organization	6	4.67	0.52	4.50	0.55	-0.17	-0.54	10	0.60
Efficiency	6	4.83	0.41	4.67	0.52	-0.17	-0.62	10	0.55
"If It Aint Broke, Don't Fix It" Attitude	5	4.80	0.45	3.83	0.75	-0.97	-2.51	9	0.03*
Overall	6	4.76	0.30	4.54	0.37	-0.23	-1.17	10	0.27

1 = not at all important to me, 5 = very important to me; *significant at the .05 level

Identification with the impacts on family council structure and operations.

Participants described many impacts they observed resulting from the intervention on

family council structure and operations. Such impacts included clarifying the purpose of

the family council, creating a common vision and mission statement, creating ground

rules and structure, clarifying the alignment between members' personal values and the

business values, and acknowledging the lasting influence of the business founder.

Regarding the creation of a common vision, one member shared her pleasant

surprise that despite their differences, she and her family members were in strong

agreement:

> I have also been pleasantly surprised by how much we are all on the same page.
> Because we all have very different lives. . . . It's nice to see that we all have that
> common vision. And I think that's a problem a lot of families have—that there is
> a huge disconnect just on the fundamental of whether it's more important to be
> extremely wealthy [or more focused on] legacy. . . . Clearly, we are all more on
> the legacy side. And so, I think that's an important thing.

In speaking about the creation of a more formal structure and ground rules for the

family council operation, this same member noted:

> I think we have a good set up of ground rules and structure, because we didn't
> really have any structure [previously for the family council]. I think the meetings
> we had before were just more exploratory, . . . where this time [we have] a lot
> more focus.

Commenting on the benefit of identifying and articulating shared values, another

member commented:

> **. . .** I like the fact that we bridged [company] values with our personal values of
> what we are trying to do in the family business council versus the actual
> company. I think that is [helpful to understand] why this company operates a
> certain way [which can eventually dictate] how this family business council is
> going to run.

Impacts on members' knowledge and attitudes. Participants reported shifts in

attitudes and increased knowledge as a result of the intervention. Specific comments were

made reflecting increased knowledge of legal aspects of ownership and estate planning and the value of gaining access to key advisors on related matters. Participants also noted that the intervention resulted in increased connection and commitment to the family council. Enhanced role clarity as members of the family council and in the business were reported, as was enhanced awareness of self and others as a result of the intervention.

Commenting on the value of learning about estate planning, one participant stated: "I think it's important to really understand what's going to happen with estate planning and being prepared for that. It's not the fun conversation to have but [it is important to have that knowledge] so that we are prepared."

Another participant shared the value he perceived in having the attorney present to educate the members about ownership issues:

> The way that Renee just spoke to us in plain English [was very helpful for bringing things into simple terms]. That helped a lot, because I could read this on my own and be lost. Having her come in and actually putting a face to a name and knowing that if we do have a question about something in the future, we have somebody to call.

Several participants' comments expressed enhanced connection and commitment to the family council and increased clarity about their role on the council:

> . . . now that we are coming together as a working group, we are really going to move forward with our own ideas.

> For me, I have to say my biggest thing personally [is figuring out where I] fit in this company . . . Finding out where I belong in [the company and in] the family council . . . is kind of nice.

> . . . knowing that I can actually have my little part, you know, it's exciting. I actually get to be a part of something.

Yet another participant commented on the enhanced awareness of self and others that resulted from utilizing personality assessments as a part of the process of forming the family council:

. . . I really enjoyed doing the Hogan tests. I think it was interesting to see . . . where I scored in different areas. But then bringing it back to the group and seeing how some of us are so different but some of us are [similar] in different areas and categories and bringing [that knowledge] into the council. . . . seeing where each others' strengths are and trying to think about that in the future when we actually start working on these projects together. . . . I thought that was helpful.

Impacts on addressing family dynamics. The participants identified family dynamics that impact the ability of the family council members to work together productively. In discussion, they identified strengths of the family and leverage points. Participants expressed appreciation for one another, shared examples of trust and acknowledged strengths of family business leaders. In addition, participants identified unresolved family tensions and the potential impact on the family council.

Regarding their ability to work productively together, one person shared her positive observation that it was helpful to "find out how, with all of our different lifestyles and our different personalities, how we can figure out a way to actually cooperate with each other and work as a unit."

Another participant shared her observation and appreciation for the way the group worked together throughout the intervention: "Well, from my perspective, I'm really happy that all of you took the interest that you did. And that you've all participated. I think it's really nice that you all care."

Expressing trust and acknowledging strengths of family business leaders was a theme that emerged from the discussion as well. One participant noted: "I also like the fact that . . . you guys are working in [the company] . . . you guys being here makes me feel better about . . . where the business is going. And . . . that you have a voice there representing us." He later expanded his ideas and appreciation for the family members who are also active in the business:

. . . that's why it's good for me to come down to these meetings . . . seeing the involvement that you guys have in the business, that makes me feel better about the family council . . . that someone is there with our interests involved. I mean, I would feel a lot different if none of you guys worked here and we just came in here to talk about what we're going to do with money . . . or whatever. . . . If no one really had anything to do with the business, . . . it would be like, well, where is it going?

Expanding on this comment, another participant shared that she valued the family members working within the business and their willingness to help her:

[I] know there is always someone there that can help me learn more about the business. I know that I can go to Alexa and she's going to explain it to me in a good way. And not just explain to me what were doing but how it can apply to the council itself because she's on both ends.

The theme of family tension and relationship history emerged at various points throughout the group discussion. Participants acknowledged that getting members of one branch of the family into a room together is difficult and can result in conflict. One participant made this observation: " . . . [getting] the Smiths in a room together sometimes can be like really tricky and we can cause a lot of havoc with each other and everyone around us."

Another participant noted that just getting the Smith branch of the family to actually show up is a challenge. Members of the Jones branch acknowledged that they too sometimes have similar issues. Addressing the identified family tension and the threat it may pose to the effectiveness of the family council, one participant asked the group: "Moving forward, are we going to be able to keep this structure, keep it civil and actually be productive at the same time?"

Issues of perceived variable levels of commitment and participation also were addressed. Tyler expressed disappointment in his branch of the family because of their lack of participation in the business. Other comments were related to attendance and

participation in family council meetings. Because of family history, some people's

nonparticipation is perceived as more than mere nonparticipation. It can be perceived as

personal rejection and evidence of irresponsibility. Sharing his feelings about the choice

of another member to not attend the second family council meeting, Tyler sparked the

following exchange:

> Tyler: . . . when someone chooses not to be here, it's like they are choosing not to be a part of us. Like my brother. He could have been here. But, hey, I don't know where he is. . . .
>
> Jake: But that's his decision.
>
> Tyler: It's his. But [because of his decision not to participate, my feeling is that] anything he has to say, I don't really care. It's like he doesn't [get a say anymore because he's not participating].
>
> Marsha: Well, it may be at this point in time he doesn't care. And tomorrow he's going to care. So, it's wherever you are in your life. We are all going to have more issues and reasons why we can't come. But like Alexa said, we can't let it get us down because there is going to be something. It could be anyone of us next time.
>
> Tyler: It's a lot harder when it [is this way all the time] . . .
>
> Marsha: Granted, there are some people here that, when they say they are going to do something, they will do it. Even when they are sick.
>
> Tyler: Yeah, it's like if one of you guys weren't here, it's not like "Oh my God, it's Jake—he's sick? Yeah, right." No, it's not going to be like that. I mean, we know you care.
>
> Marsha: But, I think that's an important thing for us to get over.

Discussion also brought up boundaries to people's willingness to participate in

family council activities. One participant reminisced about childhood family vacations

and expressed interest in expanding the family council meetings to include occasional

family retreats. She shared:

> I mean, I kind of miss the vacations we had as kids up to the cabin. I mean, I do. I remember all the times we'd take Sofia's poop . . . I don't think Jake was born

yet. And then me and Alexa, you know, I just remember. . . . I don't know, I liked those vacations. I just think that once in a while we should do that.

Another member quickly replied that he did not miss those vacations and would not want to participate in retreats. Not discouraged, she continued:

> I think [a retreat] would be good for us. Find out where each other is at again. When we are kids, it's easy to relate to one another. As you get older and you have separate lives, it can be really hard to relate sometimes. Like with our family we are so, just, you know, it's hard to sometimes to relate when you've been separated from someone for so long. We get back together and it's awkward, it's like—so what do you like to do? It's almost like meeting someone new again for the first time.

Feedback about the intervention process. Several participants offered specific feedback about the intervention process, including satisfaction with the approach and progress the council was making. Feedback also was provided regarding the tools and techniques used throughout the intervention. Impatience with needing to establish a strong foundation for the family council before beginning to work on council tasks also was noted.

Offering comments of overall satisfaction and excitement with the process and their achievements, one participant stated, "[we] accomplished things much faster and easier than usual." Another commented, "I think we've accomplished a lot. I'm totally amazed that we [already have] values, we have the beginnings of a mission statement. . . . [it] usually takes a long time to get that far."

Participants shared feedback regarding the tools and techniques used in the formation of the family council. Regarding the process of identifying and articulating shared values, participants pointed out the benefits of starting from the company business values as a guideline. One participant noted that having a structured exercise to establish shared values was helpful in completing the task:

[It was helpful to give us a] foundation and options to pick from. Because, had you just [asked], "What are your values?" . . . I don't think [identifying shared values] would have been done in a timely manner. And I think it could have easily gone all over the place. . . . [The exercise provided] a good balance of guidance but with our own creativity involved.

Participants commented about the value of implementing sound meeting practices and expressed their intent to continue to use these practices in future council meetings:

And I like how [we started with] . . . the objectives and then [you provided] a quick refresher of the last meeting. Because if we're meeting once every 6 months, it's . . . helpful to . . . get caught up. . . . I think these are good practices to maintain.

I like the structure [of] having an agenda, it feels like a business meeting, which is what it should be.

Several participants shared their feelings of impatience with the process of establishing a strong foundation for the family council structure before starting to do the work of the council. One person commented:

. . . I'm . . . an action person, so I feel, for me, this is slow... So, I have to tell myself to be patient. [For example], we both like the philanthropy [work], so kind of being patient, knowing that it's coming. That we have to do all this ground work to get there. So, I feel like I have to remind myself to slow down.

Next steps for the family council. The participants identified key next steps for the family council. Members established that their priority was maintaining awareness of potential threats to the family council and designing strategies for limiting risk to the long-term success of the council. This included separating family tension from the work on the council and sustaining the momentum built during the intervention. The importance of always having the next meeting scheduled, solidifying sound meeting practices, identifying and prioritizing tasks, and assigning individuals to begin the work also were voiced. Education to build member knowledge was identified as an important component of future family council meetings.

Another participant offered a suggestion for how to continue supporting the business, despite the family tensions and variable participation levels of the family members. She stated:

> . . . we're a family but . . . it's also business and when we come in here we're not just family. Our main thing is business. [For example], if someone's [absent] just be like, "Okay, you know what, there's a bigger issue at hand [the business issues] that we have [come here] to fix." They are not here. . . . It's their fault [and] they are going to have to catch up . . . [but] that's their problem they will have to deal with it later. Our issue is something else [and concerns the business at hand]. And leaving certain things literally . . . at the doors. When you walk in [the building], leave it [the personal issues and family tensions] there. And if you want to bring it up, wait till we are all outside of the building. Period. . . . That way, you will literally keep the environment business.

Adding to this comment, another participant elaborated on the variable member participation in the family council:

> . . . we need to keep the momentum of the people present. Because I think we struggled last meeting with people being absent and we got stuck on that. And we're kind of at that same point this meeting. But we have all to collectively agree to move forward. And the people who are not here—[who] are choosing not to be [here—we cannot] let that be a hindrance, like a thorn . . . because I think even . . . if we only have a quarter of the group moving forward, we're still moving forward.

Regarding whether or not they would be able to keep the momentum generated from the intervention going, a participant shared: "I think the biggest challenge that I am anxious to see is whether or not we can keep this momentum going . . . I think that's more of the biggest thing." Another expressed the idea that to achieve the goals of the family council, all members will need to commit to funding the activities of the council equally:

> Entrepreneurship or Education [will] probably require us all to set aside a part of our dividend to go into a pool to fund. Because, we can't just take the money from [the company]. If it's truly going to be a family thing, we all have to participate. And it would probably be a percentage of your dividend so that it would . . . be equal.

Addressing the expressed desire to continue to educate the members of the council, several ideas here generated. It was suggested that they invite guest speakers to provide best practices on identified council goals and tasks. One participant suggested inviting an expert to attend a future meeting to teach the members best practices for starting the family philanthropy arm of the council. Another suggested inviting company employees to provide education on the business, while still others suggested starting a council book club and homework. Regarding employee commitment to educating the members of the council one participant shared:

> . . . understand that our employees really know that this is a family owned company and that they will never own the company. And so we have a few key employees who understand that the whole purpose of our profit is to pay dividends to the family. And so even though they enjoy working in the family company, they don't have the ultimate benefits. . . . But they all understand their role and they are very in tune to educating you about the company.

Summary

Both before and after the intervention, participants consistently reported strong personal sense of connection and commitment to the family enterprise, sense of personal responsibility for the firm's success, knowledge of various aspects of the business, and personal alignment with the declared business values. Of these areas, members' key developmental need was continuing to build their knowledge of various aspects of the business. The group discussion data augmented the survey data, and revealed that the family council intervention produced valued outcomes, including:

1. Impacts on family council structure: clarifying the purpose of the family council, creating a common vision and mission statement, creating ground rules and structure, clarifying the alignment between members' personal values and the business values, and acknowledging the lasting influence of the business founder.

2. Impacts on members' knowledge and attitudes: increased knowledge of legal aspects of ownership and estate planning, acknowledgment of the value of

gaining access to key advisors on related matters, increased connection and commitment to the family council, enhanced role clarity, and enhanced awareness of self and others.

3. Impacts on addressing family dynamics: improved ability to work together, identified family strengths and leverage points, expressed appreciation for one another, shared examples of trust and acknowledged strengths of family business leaders, and identified unresolved family tensions and their potential impact on the family council.

4. Feedback about the intervention process: expressed satisfaction with the approach and progress the council was making, appreciated the tools and techniques used, and acknowledged impatience with needing to establish a strong foundation for the family council before beginning to work on council tasks.

5. Next steps for the family council: identified priorities of managing threats to the family council and designing strategies for limiting risk to the long-term success of the council, including separating family tension from the work on the council, sustaining the momentum built during the intervention, always scheduling the next meeting, solidifying sound meeting practices, identifying and prioritizing tasks, assigning individuals to begin the work, and obtaining continuing education.

The next chapter provides a discussion of these findings.

Chapter 5

Discussion

The purpose of this study was to form a family council for the owner-family of the case organization and to examine the impact of forming the family council on family owners' knowledge, commitment, and stewardship to the business. This chapter provides a discussion of the results. Key findings and conclusions are presented below, followed by a discussion of the study limitations, recommendations for Acme Industrials' owners, recommendations for family business practitioners and key advisors, and suggestions for continued research.

Key Findings

Survey data did not reveal significant changes in family owners' perspectives. The forum discussion group, however, which provided the qualitative data in the study, indicated a number of improvements had been experienced by family owners as a result of the study's intervention of creating a family council, including:

1. Impacts on family council structure: clarifying the purpose of the family council, creating a common vision and mission statement, creating ground rules and structure, clarifying the alignment between members' personal values and the business values, and acknowledging the lasting influence of the business founder.

2. Impacts on members' knowledge and attitudes: increased knowledge of legal aspects of ownership and estate planning, acknowledgment of the value of gaining access to key advisors on related matters, increased connection and commitment to the family council, enhanced role clarity, and enhanced awareness of self and others.

3. Impacts on addressing family dynamics: members reported improved ability to work together, identified family strengths and leverage points, expressed appreciation for one another, shared examples of trust and acknowledged strengths of family business leaders, and identified unresolved family tensions and their potential impact on the family council.

4. Feedback about the intervention process: members expressed satisfaction with the approach and progress the council was making, appreciated the tools and techniques used, and acknowledged their impatience with needing to establish a strong foundation for the family council before beginning to work on council tasks.

5. Next steps for the family council: members identified priorities of managing threats to the family council and designing strategies for limiting risk to the long-term success of the council, including separating family tension from the work on the council, sustaining the momentum built during the intervention, always scheduling the next meeting, solidifying sound meeting practices, identifying and prioritizing tasks, assigning individuals to begin the work, and obtaining continuing education.

These findings and their implications are further discussed in the following sections.

Impacts on family council. Consistent with Ward and Aronoff (2011), the study findings indicated that family council meetings are a platform for helping to strengthen both the family and the business. As a result of this intervention, the owning family was able to create a foundational structure on which they can operate as a family council. The group clarified a purpose for the council and drafted the beginnings of a vision and clarified mission statement to guide the work of the family council. As a part of the present intervention, the members learned techniques and structure for running their meetings that allowed them to be more efficient and effective. The members identified shared values that aligned their personal values and the declared business values. Within the discussions, the council members acknowledged the lasting influence of the founder of the business. Survey data indicated that individual members' values were strongly aligned with business values before and after the engagement. Additional intervention outcomes included the creation of guidelines for navigating conflict (see Appendix B), a communication agreement (see Appendix E), and council meeting rules of engagement (see Appendix C). Similarly, in Ward and Aronoff's (2011) research, family council interventions and other family governance practices were found to help the family define

their values and philosophies and, overall, create a stronger and more unified owning-family.

Impacts on family council members. Survey results indicated that individual personal connection and commitment to the company was high before and after the intervention. Through dialogue, individual members reported increased knowledge of estate, trust, ownership, and legal issues and an appreciation for consulting key advisors for such matters. Members also expressed they had more role clarity regarding their ownership responsibilities and role on the family council as a result of the intervention. Members further noted their enhanced awareness of their own and others' values and motivations and also developed deeper appreciation for the company.

These findings could be summarized as the intervention helped strengthen each of the owners in terms of their knowledge, commitment, connection to, and appreciation for the company. This could result in family members dedicating increased energy and activity over time, which in turn would support the business interests. In other words, the owners are pillars supporting the company and the intervention strengthened and fortified each pillar. In turn, the intervention acted to protect the business from the risk of owners placing their own self-interest above the interests of the business. This creates the conditions for effective stewardship by all the owners.

Past research has similarly suggested that these types of interventions serve to engage owners equally, whether or not they are actively involved in running the day-to-day business (Berent-Braun & Uhlaner, 2012; Ward & Aronoff, 2011). Continued research may be able to validate the long-term effects of such impacts on the individual members of family councils.

Impacts on addressing family dynamics. The intervention provided a forum for having meaningful dialogue about positive and negative family dynamics. Specifically, the intervention created opportunities for council members to express appreciation for the work of the family members involved in leading the business and mobilized them to collectively work to protect the interests of the owning family. The council meetings also provided a platform for meaningful discussions about existing family tensions. Members expressed that as a result of the activities, exercises, and dialogue involved in the intervention, they developed a new belief that they could work together productively on the council, despite relationship problems and conflicted interpersonal history. The council proceeded with an active discussion about how to continue their work of solidifying and carrying out the work of the council. Family members also discussed the impact of individuals who are perceived to have less commitment to the council and how to be productive, regardless of the number of members who actively participate in meetings.

In summary, implementing a family council appears to be a powerful tool with the potential for helping families collaborate and start to resolve longstanding tensions, conflicts, and seemingly intractable issues. It is also possible that they will learn to do this better with time, practice, and experience together. These findings are an important contribution to family business literature, as past research has not explicitly discussed the use and effectiveness of these interventions for addressing family tensions, beyond discussing their benefits for supporting cohesion, unity, and communication (Poza & Hisrich, 2012; Ward & Aranoff, 2011). Future researchers may consider larger samples over longer periods of time to determine sustained impact of this type of intervention on family dynamics.

Feedback about family council intervention process. Participants reported a high degree of satisfaction with the intervention, excitement about the process, and pride in their achievements. They reported that they accomplished things much faster and easier than they had in the past. They expressed that it was helpful to return to company foundational goals and values as guidance for moving forward. It seems important to note their enthusiasm for the process. It is possible that the intervention tapped into members' intrinsic motivations to support the business. It also seems important to leverage the positive feelings stirred up as a result of the intervention, as the family members are ultimately responsible for scheduling and conducting the family council meetings and maintaining and even building the momentum created through the intervention. The enthusiasm created through the intervention may help them sustain energy and commitment to the work of the council.

Council members' belief that they were able to move forward more quickly and accomplish more within the new structure may produce a self-fulfilling prophecy wherein they carry out behaviors and actions associated with productively working together as a council. Additionally, they reported that the structured shared value exercise was helpful. Participants appreciated the sound meeting practices used in the intervention and expressed an intention to continue using these. Despite their positive feedback about the process and their progress made, some members expressed impatience with the time needed to establish a strong foundation before doing work. Practitioners may want to consider members' potential impatience with the process as they design and facilitate family council interventions. These collected findings offer important contributions to family business literature, as they provide insights about how family members experience and respond to family council interventions.

Next steps for family council identified by members. At the end of the intervention, participants were able to articulate a well-defined list of next steps for the council. For example, members emphasized their desire to be productive by separating family tensions from their work as a family council. They also discussed how members might equitably fund the council's work. Scheduling structured meetings in advance to ensure they took place also was prioritized as a means for maintaining the momentum built during the intervention.

Council members expressed a desire to begin identifying important tasks, assigning individual responsibilities to those tasks, and launching the work of the council. One plan for future meetings was to invite subject matter experts such as outside advisors or key employees from the business to continue the family members' education. Book clubs and other types of pre-meeting assignments were identified as additional ways to build members' knowledge. Past research similarly has stressed that the education of family members is critical to family council success (Poza & Daugherty, 2014).

Overall, the family members' initiative taking is encouraging, as Poza and Hisrich (2012) explained that the intent of family council is to get family members involved in actively addressing the competing demands and needs of the business and the family. Evidence of involvement is when members actively start planning and enacting tasks related to the family council. The present study's findings suggest that the family council intervention is a powerful tool, as the members shifted—in only two meetings—from passivity to active engagement and taking the initiative to plan next steps.

Conclusions

1. The intervention helped members establish a strong foundation for future operation of the family council. The structured exercises supported the participants in creating ground rules, shared values, and other operating

agreements that can promote family interests and benefit the company for generations to come.

2. Participating in the family council intervention engendered greater family member engagement and stewardship. Participants experienced a stronger sense of personal connection and commitment to the family council and the business, greater role clarity, and enhanced awareness of self and others as a result of the intervention.

3. The intervention created conditions where members were able to acknowledge and discuss family strengths and existing conflicts. The experience inspired members' hope that they can productively work together and resolve difficult issues despite unresolved tensions.

4. Participants reported satisfaction with the family council intervention process and outcomes. Members' positive perceptions may inspire them to continue employing the practices learned in the intervention. Their belief that they can work together could encourage behaviors and actions that result in a self-fulfilling prophecy to support desired outcomes.

5. Council members articulated a clear list of directives for moving forward, indicating that the family council intervention helps shift members from passivity to initiative taking and active engagement.

Limitations

Three primary limitations affected the present study:

1. Observer influence and participant biases. A primary limitation that affected the study was observer influence. Specifically, participants may have been on particularly good behavior or been especially polite because an outside researcher was present during the two family council meetings. This limitation may have encouraged participants to overstate positive feedback, understate or avoid any dissenting views, or moderate their behaviors to be more socially desirable. Members also may have feigned interest or refrained from comments critical of the process to be polite or nice. Thus, the data collected may not truly reflect participants' opinions. Future studies could minimize this limitation by collecting anonymous data, surveying participants between meetings, or by utilizing a research assistant to collect data.

2. Intervention effect. Positive feedback also may have been overstated as a result positive feelings that were generated as a part of intervention but which may not be sustained beyond the meetings. For example, individual commitment and resolve to participate in a productive way may be short-lived. Future studies should measure how long the effects of the intervention are reported after the study by gathering data at periodic intervals following the intervention.

3. Sample size. The study was conducted within one family business with only eight total members of the owning family. Six of the eight members attended each meeting, and two members did not complete any surveys or participate in the group forum debrief. The sample size is small; therefore, the present findings must be considered exploratory and applicable only to the case organization. Care should be taken when transferring the findings to other settings. Future research should conduct longitudinal studies with multiple owning families and larger shareholder groups.

Recommendations

Acme Industrials owners. Four recommendations are offered to the company's

owners and family business leaders:

1. Rely upon sound governance practices at each family council meeting. Members reported that having clearly defined meeting practices helped them to work together more effectively and efficiently. Some members noted their intention to continue to use the meeting protocols they learned as a part of the intervention. Having an agenda, agreed-upon ground rules for meetings, guidelines for communication, and conflict agreements all contribute to the success of the family council (see Appendixes A-C and E). Make these documents available during meetings and revisit them at the beginning of each meeting to remind members of the commitments they have made and the work they have completed together.

2. Highlight and refer to the shared values as a guide for continued action. Members reported that having clearly defined values that were in sync with the business values would be helpful in guiding their future activity as a council. Share the family council values with business leaders to promote transparency and alignment between the council and the business. Regularly revisit and reference the declared family council values to provide members with a "compass" for making future decisions that will support both family and business interests.

3. Maintain the momentum established during the intervention. Members reported feeling increased energy, enthusiasm, and personal commitment to the family council and the business. Continue to push communication out to the family members between meetings to help sustain their enthusiasm and engagement. For example, the shareholder website can be an effective tool for sharing information about the business and upcoming family council meetings. Revisit the decisions and achievements made during the intervention to sustain the sense of accomplishment among family council members. Ensure that meetings are scheduled well in advance and are on the calendar.

4. Set deadlines and follow through on identified tasks. During the intervention, members identified many desired next steps. Empower the members to

continue being involved and delivering on identified objectives, taking care to narrow the scope of the work to those activities that serve the needs of the family council. For example, members unanimously expressed the need for continued education. Involve the council in identifying the skills and knowledge critical for them to fulfill their council obligations. Invite subject matter experts (including those inside and outside the company) to attend meetings for the purpose of educating members.

Family business practitioners and key advisors. Five recommendations are

offered to practitioners and key advisors to this and other family businesses:

1. Sound meeting practices: Stress the importance of establishing sound meeting practices and ground rules for operating the family council before rushing into work. Members reported that a key to the intervention's success was learning how to self-govern meetings through effective facilitation practices and tools, such as agendas, a conflict strategy, rules for meeting engagement, and communication commitments. Participants shared that these practices helped them to move more quickly and accomplish more tasks than they experienced in previous meetings. At the same time, some members admitted their impatience with establishing this type of foundation. Look for signs that members are trying to circumvent the process and redirect energy and explain the rationale for doing so if resistance is indicated.

2. Promote meeting facilitation skills: Actively measure and promote members' acceptance and enjoyment of process, tools, and techniques used. Focus on transferring the knowledge and capabilities to the family members so they develop expertise in leading the family council themselves and experiencing the same sense of enjoyment and progress.

3. Establish shared values: These should be consistent with the values of the family business. Lead family council members through structured exercises to help them articulate a list of shared values. Educating family council members on the history and legacy of the company and the founder(s) can provide an anchor for the work of the council.

4. Include non-employee family members: Help family business leaders to include owners who are not employed at the firm. Do not neglect those shareholders who do not have the capacity or desire to join the business of the firm as an employee. Help reinforce members' collective commitment through structured meeting exercises that help members re-discover their sense of connection. Participants reported that doing so created a new sense of purpose and belonging to the business and also generated enthusiasm for their role on the council. This attitude is consistent with the conditions necessary to create a stewardship relationship between owners and the business.

5. Use family council interventions to address and resolve family tensions: Use the family council intervention to help members move through and resolve the

tensions collaboratively and productively if tensions are high, appreciation is low, or if intractable family issues are weighing down the family council or business. A facilitated intervention and regularly scheduled family council meetings can help stir positive energy and emotions within the family and between members. Point out these benefits when proposing the family council intervention to clients. Participants in this study revealed feeling surprised and hopeful that they could work together productively despite unresolved family tensions.

Suggestions for Research

Four suggestions for research are offered based on the present study:

1. Longitudinal research could confirm whether the individual and collective effects noted in the present study are lasting. Mixed-methods approaches may be useful for measuring members' feelings, attitudes, and behaviors before, during, and after intervention. Participants could be surveyed using a validated instrument at intermittent intervals over the course of a year or longer following the initial intervention. Interviews would further provide in-depth insights. Additionally, it would be helpful to conduct this research using a larger sample of multiple companies and larger ownership groups with varied levels of participation and involvement.

2. Research conducted on families that exhibit different degrees of tension and conflict could be conducted to more deeply examine the utility of the family council intervention for addressing family tensions. In the proposed study, family tension could be measured at the baseline (e.g., severe tension, moderate tension, low tension) and over time to assess the effect of the family council over time. Mixed-methods approaches using validated instruments, one-on-one interviews, and group dialogue would be beneficial for gaining an in-depth understanding of the effects.

3. Develop a validated tool for measuring ownership engagement. A central premise of the present study is that owners' knowledge, commitment, and stewardship of the family business is critical for the mutual success of the family and the business. Moreover, family businesses constitute a powerful national and global economic engine. Nevertheless, there is a lack of validated instruments for measuring family owners' attitudes and behaviors. Developing such a tool represents an important direction for continued research.

4. Compare effects of facilitator-led and self-led family council interventions. It is possible that the results reported in the present study are due to observer effect, participant bias, and other benefits of having the intervention led by an external practitioner. Therefore, it is important to examine whether the reported effects of family council intervention would be as effective if family members led the event themselves. Comparative study of facilitator-led and self-led interventions would provide valuable insights about the roles advisors

and facilitators play in establishing this fundamental element of family governance.

Summary

Family firms represent a significant portion of the U.S. gross domestic product. Not only do they face all the usual challenges of business; they also must navigate the unique challenges of blending family dynamics and business. Capitalizing on the value of the family business requires smooth operations and a practice of stewardship among the family owners. Facilitating these practices and attitudes is aided by forming a family council. This examination of a family council intervention with one family utilized a mixed-methods approach of gathering survey and group dialogue data. Survey data were analyzed using descriptive statistics and dialogue data were subjected to content analysis.

This study found that the intervention helps to establish a strong foundation for future operation of family council, participating in the formation of a family council created greater family member engagement, the intervention created conditions where members were able to acknowledge and discuss family strengths and existing conflicts, and participants reported satisfaction with process and outcomes. Additionally, the members of the council articulated a clear list of directives for moving forward. The present study provided evidence that family council interventions can indeed empower family members to address unresolved family tensions and empower owners to work together productively. Future research is needed to deepen and extend these findings.

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Appendix A: Family Council Meeting Agendas

ACME INDUSTRIALS
<u>Family Council Meeting</u>

AGENDA
Saturday, August 2, 2014
9:00 a.m. to 3:00 p.m. PDT
Acme Industrials Conference Room

I. Welcome and Introductions

II. Family Council Purpose and Function (Marsha Jones)

III. Family Council Formation Roadmap

IV. Family Council Roles: discussion and role assignments

V. Team Effectiveness
    a. Hogan Assessments
    b. Conflict Norms
    c. Rules of Engagement

VI. Next Acme Industrials Family Council Meeting
- **Date**
- **Location**
- **Topics**

VII. Adjournment

ACME INDUSTRIALS
<u>Family Council Meeting</u>

AGENDA

Saturday, December 27, 2014
9:00 a.m. to 2:00 p.m. PDT
Acme Industrials Conference Room

I. Welcome and Introductions

II. Buy/Sell Agreement (Attorney [name omitted])

III. FC Meeting Roles: discussion and assignments

IV. Family Council Purpose and Function: Review
    a. Family Council v. Board of Directors
    b. Conflict Agreement Review
    c. Rules of Engagement Review

V. Employment of Owner-Family Members at Acme Industrials

VI. Hogan Personality Assessments Exercise
    a. Team MVPI Scores
    b. Discussion About Our Values and Motivations

VII. Family Council Next Steps: Family Charter & Values, Mission Statement
    a. Family Charter
    b. Mission Statement
    c. Values
    d. Duo Exercise

VIII. Group Forum Discussion

IX. Next Acme Industrials Family Council Meeting
    a. Date
    b. Location
    c. Topics and Assignments: Review any list created
    d. Task Force to Present Family Charter, Values and Mission Statement

X. Adjournment
    a. Commitment Clarification: Who is to do what by when

Appendix B: Acme Family Council Conflict Norms

Conflict Agreement

Agreements we all made to each other to follow during a time of conflict during the family council:

1. No screaming, yelling, or raising our voices.
2. No bullies in the room. No intimidating others.
3. Be respectful and civil. Be respectful of each other.
4. No interrupting.
5. Participate physically and mentally.
6. No phones during the meetings.
7. Try to leave emotion out of it.
8. Give everyone an opportunity to speak.
9. Be open to compromise.
10. Stay on task with the issue.
11. Show-up. Be engaged and when the decision is made it is done. Respect the process.

Appendix C: Acme Family Council Rules of Engagement

Ground rules and shared expectations for the council moving forward

1. Punctuality: Arrive on time and meet deadlines for assigned tasks.
2. Preparation: Come to each meeting with your tasks completed.
3. Honor all commitments. Be realistic and ask for help. Plan in advance.
4. No texting or phone calls during meetings. It's okay to do this during the breaks.
5. Plan meeting in advance to work around personal schedules.
6. Be respectful of others.

Appendix D: Pre/Post Participant Survey

Q1 How well do each of the following statements describe you?

	Not at all like me (1)	Not much like me (2)	Somewhat like me (3)	Quite a lot like me (4)	Just like me (5)
In general, I feel a sense of loyalty to Acme Industrials. (1)	○	○	○	○	○
I feel a strong sense of responsibility as a member of the Acme Industrials owner-family. (2)	○	○	○	○	○
I am very concerned with the long-term success of Acme Industrials. (3)	○	○	○	○	○
I often think about the impact I can have on the success of Acme Industrials. (4)	○	○	○	○	○
I am very likely to want to work at Acme Industrials in the future. (5)	○	○	○	○	○
I feel a sense of commitment to Acme Industrials. (6)	○	○	○	○	○
I feel a sense of responsibility to the employees of Acme Industrials. (7)	○	○	○	○	○
I am proud to tell people I am a member of this family. (8)	○	○	○	○	○
I feel personally connected to the Acme Industrials brand. (9)	○	○	○	○	○
I am proud of the Acme Industrials brand. (10)	○	○	○	○	○

Q2 Please indicate how strongly you agree with each statement below.

	Strongly Disagree (1)	Somewhat Disagree (2)	Neutral (3)	Somewhat Agree (4)	Strongly Agree (5)
I am determined to give my best effort as a member of the Family Council. (1)	○	○	○	○	○
I take pride in being a part of the Acme Industrials owner-family. (2)	○	○	○	○	○
I am inspired to actively participate in the family business. (3)	○	○	○	○	○
Our family adapts quickly to difficult situations. (4)	○	○	○	○	○
I am willing to take initiative and help other members of the family when the need arises. (5)	○	○	○	○	○
I feel valued as an owner of Acme Industrials. (6)	○	○	○	○	○

	Strongly Disagree (1)	Somewhat Disagree (2)	Neutral (3)	Somewhat Agree (4)	Strongly Agree (5)
I trust the information I receive about the business. (7)	○	○	○	○	○
I understand my role in the family business. (8)	○	○	○	○	○
I feel prepared to participate in the Acme Industrials Family business. (9)	○	○	○	○	○
I understand my role as a steward of Acme Industrials. (10)	○	○	○	○	○
I am equipped to be a member of the Acme Industrials Family Council. (11)	○	○	○	○	○
I am optimistic about the future of Acme Industrials. (12)	○	○	○	○	○

Q3 Indicate how knowledgeable you are about the following aspects of Acme Industrials' business.

	Not Knowledgeable (1)	Slightly Knowledgeable (2)	Neutral (3)	Somewhat Knowledgeable (4)	Very Knowledgeable (5)
The products manufactured by Acme Industrials. (1)	○	○	○	○	○
Acme Industrials' clients (2)	○	○	○	○	○
Acme Industrials' competitors. (3)	○	○	○	○	○
Value proposition - why our clients choose Acme Industrials over competitors. (4)	○	○	○	○	○
The Acme Industrials business model. (5)	○	○	○	○	○
The key indicators of success at Acme Industrials. (6)	○	○	○	○	○
Acme Industrials' performance this fiscal year. (7)	○	○	○	○	○

Q4 Rate the following in importance for you:

	Not at all Important (1)	Very Unimportant (2)	Neither Important nor Unimportant (3)	Very Important (4)	Extremely Important (5)
Acme Industrials' reputation in the local community (1)	○	○	○	○	○
Client satisfaction with Acme Industrials' products (2)	○	○	○	○	○
Maintaining family ownership of Acme Industrials (3)	○	○	○	○	○
Acme Industrials' employee satisfaction (4)	○	○	○	○	○
Being actively involved with Acme Industrials (5)	○	○	○	○	○
Acme Industrials' long term financial success (6)	○	○	○	○	○
Acme Industrials' global reputation (7)	○	○	○	○	○

Q5 Rate the importance you personally place on these Acme Industrials business values.

	Not at all important to me. (1)	Somewhat important to me. (2)	Neutral to me. (3)	Important to me. (4)	Very important to me. (5)
Customer Service (1)	○	○	○	○	○
Reliability (2)	○	○	○	○	○
Being on Time (3)	○	○	○	○	○
Quality Products (4)	○	○	○	○	○
Employees are Valued (5)	○	○	○	○	○
A Family-Like Corporate Culture (6)	○	○	○	○	○
A "We will figure it out" Mentality (7)	○	○	○	○	○
Resourcefulness (8)	○	○	○	○	○
Innovation (9)	○	○	○	○	○
Flexibility (10)	○	○	○	○	○
Simplicity (11)	○	○	○	○	○
Organic Organization (12)	○	○	○	○	○
Efficiency (13)	○	○	○	○	○
"If It Aint Broke, Don't Fix It" Attitude (14)	○	○	○	○	○

Appendix E: Acme Family Council Communication Guidelines

Communication Guidelines

- Shareholder website primary vehicle to disseminate information.
- RSVP for all invitations.
- Respond to all communication to acknowledge receipt within 72 hours.
- Post all cell phone numbers and email addresses on shareholder website (Sasha).
- If behind on a commitment, let others know timely. Ask for help or extension based on the need.
- Primary method of communication will be email. Secondary is text.