

THE ROLE OF THE FAMILY COUNCIL DURING A CRISIS

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In good times and bad, the relationship between an owning family and its enterprise should be clear and mutually supportive.

During a *crisis*, the family enterprise and family each have distinct needs to get them through the difficult time. When the survival of a business or portfolio is at stake, it is common to see its needs take first priority, while the family's needs come second—or even as an afterthought.

A lack of attention on the family's needs, though at times well-reasoned, can become risky. The family can become uninformed about the enterprise and its response to the crisis. The family's questions or anxieties can go unaddressed. The family may not know how its members can be supportive during the crisis. As time goes on, the family can feel distant from, or ignored by, the enterprise and its leaders. Feelings of mistrust and disunity can grow. Family tensions can rise.

It is precisely in these crisis periods that the leadership of a high-functioning Family Council is needed to help the family organize and unite, and to think about how to persevere. The Family Council is the primary leadership and governance forum focused on the enterprising family after all.

THE ROLE OF THE FAMILY COUNCIL

A Family Council is a leadership and governance forum that exists to help an enterprising family achieve its mission and important goals by way of these activities:

- Create compelling **family values, mission, and vision statements**, which clarify the family's important principles, purpose, direction, and key objectives. These statements help the family become more intentional about how it will support the family enterprise and have a positive impact on society.
- Help **develop and fit family member talent into family enterprise roles** where they can meaningfully engage with important activities and assets, and best contribute to the success of the family and enterprise.
- **Grow family unity and commitment** to one another, to the enterprise, and to the mission of the family. This is done by facilitating communication and information sharing, organizing gatherings, shared experiences, and formal meetings of the family, teaching the family about their shared history and common legacy, and building a sense of adventure about what the family is doing together.
- **Build family discipline** in support of guidelines, policies, agreements, and decision-making processes that lead to long-term family and enterprise success.

LEADERSHIP NEEDED IN A CRISIS

The multigenerational story of every family enterprise has twists and turns—good times and challenging times.

A crisis is a different experience from an ordinary challenge. Informed by the work of Harvard expert, Dutch Leonard, a true crisis—like the Covid-19 pandemic—is a new, unprecedented, and unforeseen situation in which, by definition, you do not have familiarity or a prepared response. As a crisis unfolds, it generates surprises and challenges, making it necessary to continually update and reform responses and action plans. Often, there are competing priorities that have never had to be traded off before.

Because a crisis is a unique kind of situation, it requires a different type of leadership within the enterprise and the family.

To get through a crisis, leaders need to focus not on having solutions immediately, but on organizing an effective *process* for figuring out how to deal with issues in real time, as they unfold. In response to the Covid-19 pandemic, business leaders and boards around the globe established crisis management teams.

According to Professor Leonard, the best leaders during a crisis “*learn their way forward* through the event.” These leaders guide an iterative problem-solving process that is rapid, innovative, and repeated. It involves continuously:

- Being informed and updated as the situation evolves
- Assessing problem-solving options
- Trying solutions as experiments, and evaluating what works
- Pivoting to new solutions as needed
- Informing key stakeholders about what is known about the crisis, its impact, and our response

Leaders will not have all of the answers immediately, and will make some mistakes along the way. Problem-solving effectively, and keeping the process moving forward are the essential parts of crisis leadership. Communicating well with key stakeholders is also essential.

This model of crisis leadership also applies to a Family Council.

THE ROLE OF THE FAMILY COUNCIL DURING A CRISIS

Consistent with a leader’s role through a crisis, described above, the Family Council should help the family get through this period successfully. The Family Council’s actions during the turbulent period should build awareness, trust, goodwill, and perseverance within the family.

Routine activities of the Council (like periodic communication, gatherings, and education) might be altered in some way during this period, but should not be suspended altogether. The Council should add crisis-related priorities to its agenda. To address them effectively requires meeting regularly to discuss and monitor issues, and establishing a crisis-specific, problem-solving process.

The Family Council's problem-solving process involves four elements:

1. **Clarify the Family Council's Role** as the leadership team that exists to oversee the family's response to the crisis and to manage family concerns and issues. This is part of the mandate of the Family Council. This "crisis team" or task force may include the entire Family Council or could be a sub-group of the Council. It might include individuals not on the Family Council to assist with updates between the family and the enterprise or executing some initiatives.
2. **Track and Address Family Issues.** The Family Council schedules regular check-ins with the family to gauge family members' needs, concerns, and priorities, and to help answer or field their questions. The Family Council convenes as a group more often than in stable times to:
 - Identify emerging issues of the crisis and identify their impact on the family (e.g. take an inventory of the family's level of stress and uncertainty, family relationships, family concerns about the business, etc.) and pressure that might be put on the family enterprise
 - Anticipate how the crisis could impact the family in the short-term and medium-term
 - Liaise with other governance forums in the family enterprise, representing the family's key priorities, concerns, and interests, to the leadership of the family enterprise
 - Make sure vital information the Family Council learns is shared, and problems are addressed by relevant parties.
3. **Problem-Solve Issues on the family's behalf:**
 - Problem-solve key issues of concern to the family. For some issues, the Family Council may do this alone, and of other issues, in coordination with leadership of the family enterprise or other governance entities.
 - Develop ways to solve issues by prioritizing and experimenting with solutions

- Help organize the family to be useful and contribute to the family enterprise and to others impacted by the crisis. Understand what the family and Family Council are good at. It is more practical to focus social impact efforts on activities where they already have capabilities and experience, and not experiment too much with new methods, which can waste time and reduce impact. (For example, during the Covid-19 pandemic, Family Councils facilitated responses in these ways: Organize small and larger scale social impact activities for the family to respond to the crisis. Collaborate with the philanthropic foundation to offer support. Join local community efforts to support community needs. Join forces with management teams in the family enterprise to address family employee needs.)
 - Understand and manage family and political aspects of the system to maintain family unity while helping to solve immediate problems facing the family and the enterprise
4. **Communicate Effectively** with the family and on the family’s behalf.
Be a communication hub. This may include these activities:
- Stay in close touch with the family to understand how they are being impacted, what they need, and ways family members can contribute. (During Covid-19, send frequent messages of information and support to the family, and share tips to help family members adapt to “new normal” ways of life.)
 - Increase the velocity of communications, and the two-way communication between the Family Council and family (Organize virtual meetings to help family members stay informed about how the virus and its fallout is impacting the family and its businesses, and to encourage family unity and support.)
 - Become a more relied on and trusted partner of the owners and the company. Convey the family’s priorities and values to the Family Office, Owners Council, and Board representative as they execute a crisis response plan in the business and Family Office.
 - Provide input if a public statement on behalf of the family is needed
 - Keep the family and other stakeholders informed about the process the Family Council is undertaking
 - Be honest, empathic, and encouraging of family resilience. Set reasonable expectations in the family about what can be done and how quickly it can be done.
 - Send messages of family appreciation to family enterprise team members working through the crisis

This kind of process can solve problems that have the potential to destabilize the relationship between the family and enterprise. Imagine the Family Council being credited by the leadership of the family enterprise for its helpful role in managing the family through the crisis. Beyond its clear benefits, this can also help to build a reputation for the Family Council as a strategically vital group that would encourage family members to want to serve on it.

WHERE FAMILY COUNCILS OFTEN GET STUCK DURING A CRISIS

Family Councils sometimes wonder whether they have the authority to do things. In a crisis, it is even more customary for a Family Council to turn to the business leader or the owners to ask, “*What would you like the Family Council to do?*” Family Councils then may become paralyzed as they wait for direction. As discussed in the opening of this article, if the crisis is impacting the business in a serious way, the business leader can have so much going on that he/she does not think about what the family needs. This can leave not only the family, but also the Family Council, feeling more neglected and like it is not an important governance group. The opportunity for leadership by the Family Council can be missed when in fact there is a lot it should do.

In an era where crises and turbulence will be more commonplace, the Family Council must be more clear about its important mandate, role, budget, and what it needs to do during a crisis. The Family Council must coordinate well with other governance and leadership forums so the linkages, synergies, communications, and joint problem-solving happen effectively. Maintaining a strong relationship between the Family Council and the Family Office, family business, family owners, and family foundation is key.

LOOKING BEYOND THE CRISIS

Perhaps not surprisingly, the intensity of the Covid-19 crisis has become a trial-by-fire experience for many Family Councils and governance groups. Many are discovering where they are on the learning curve of crisis management responses. Some need to develop their skills and processes to be better equipped for future disruptive events.

The situation has also helped these groups gain perspective on how they can support the future of the family enterprise. In addition to responding to the needs of the family during the crisis, many Family Councils are revisiting their visions and strategies for the future so they can continue to serve the family effectively through the turbulent times ahead.

ABOUT THE AUTHOR



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The Cambridge Institute for Family Enterprise is a global research and education institute dedicated to the real issues facing family enterprises. It is a place where progressive members of family enterprises come to learn, exchange ideas, develop themselves and position their enterprises to be not only successful, but sustainable over generations. Its sister organization, Cambridge Advisors to Family Enterprise, is a highly specialized, international, advisory firm that assists family enterprises with navigating the new economy, solving sensitive issues, and making the entire family enterprise strong and united over generations.

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