



NEWSLETTER

spring 2005

Aspen Family Business Group

The Aspen Family Business Group: David Bork · Leslie Dashew · Dennis T. Jaffe · Sam H. Lane · Joe Paul · serves as a resource to help families create an environment in which members are open and willing to learn and grow. It is in such a setting that families are able to envision and achieve the positive possibilities of their business as well as maximize enjoyment of their family life. Our goal is for the family to develop harmonious, healthy, constructive interpersonal relationships and to maximize the success of their family-owned enterprise.

The Family Council

Family councils serve as a legitimate forum for dialogue concerning the interests of the family in family business. Often families struggle with deciding where to discuss issues related to the business without contaminating family dinners. Similarly, family issues should not be resolved in front of employees or during directors' meetings. The Family Council is dedicated to addressing these and other issues in a structured, yet comfortable, manner.

Family councils serve the following roles:

- ◆ A family council can become the place to **discuss** a range of issues, a private place to resolve business/family issues and concerns. Topics may include the purpose of the family (family mission); philosophy (values, fairness); roles and responsibilities; beliefs about asset management, etc.

- ◆ The council can serve as a **policy making board** for such issues as family employment and compensation, values to be manifested in the business and in the community, and the use of shared assets.

- ◆ This organization is also a place for **education** regarding the family business as well as business in general, finance

and investments, estate planning, and interpersonal skills.

- ◆ The Family Council also provides a vehicle for **planning for the future** of the family and its assets. The Vision Statement is one method to help the family with its planning.

- ◆ **Reporting** on family sponsored activities also can occur at these meetings. It provides a vehicle to keep family members not employed in the business aware of what is going on and to feel included, and for community or family updates.

- ◆ The council can also **represent** family members who are or are not shareholders and provide a **communication channel** among members, to the board of directors and/or with management.

- ◆ This is also a forum to **formalize the role of the family in the community** via service, philanthropy, establishment of a foundation, etc.

- ◆ Finally, the council can provide an opportunity to **strengthen the family**, no matter how their other assets are invested.

We hope you find this newsletter, dedicated to family councils, stimulating and informative.

looking ahead

The Gathering

Bork, Dashew, Jaffe, Lane and Paul
Snowmass, Aug 4-7, 2005

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Family Business Gathering

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(see page 3 for details)

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Starting a Family Council

by Leslie Dashew



Most families struggle with the start-up of a family council. A family council can appear to be a “formal” institution for an informal human system and thus somewhat awkward.

While some families try to establish the councils on their own, most find it useful to use a family business consultant to assist them. In either case, there are essentially three phases to the start up of a family council.

Phase One: Engaging the Family

Rationale: Most families find themselves very busy and often balk at participating in yet another activity. They must find the reason for attending a family meeting or council very compelling. Thus, there must be convincing leadership to get a council started. The “convener” must have clarity of vision: what do they hope the council will accomplish? What are the problems to be prevented and/or solved? What will participants gain or achieve through involvement?

Objections: Like all selling, one must anticipate the “objections” a prospect may have and be prepared to answer them. Typically, the obstacles to family councils include: insufficient free time to schedule it; expenses involved (travel, babysitting, hotel costs, consultant costs); concerns that it will be “opening Pandora’s box” and that unresolvable conflict or old issues will arise.

Addressing objections: The leadership of the family and/or family business must be prepared to address the possible objections to at least give the family a chance to meet together and see if it will be useful. To address these objections:

◆ Have the business or the elder generation sponsor the meetings, since they are

planning activities for owners and employees.

◆ Have a well-equipped consultant to assure that there is a safe environment for the first meetings, so members will see that this gathering will be different than past family gatherings that have degenerated into unpleasant squabbles.

◆ Have all family members submit schedules for 4-6 months out and find commonly available dates.

Inclusivity vs. exclusivity: Some families are hesitant to include spouses, step-children or “significant others.” I recommend that family councils err on the side of inclusivity rather than exclusivity, particularly as it relates to spouses. Engaging the larger family allows in-laws to better understand and support the new family efforts. If the family changes through these meetings, in-laws may miss out on the growth and be left with old images of how the family works.

Phase Two: The Charter Meeting

The first task of the council is to be clear about its purpose. Having a *purpose or mission statement* for the Family Council assures that everyone is clear why they are gathering and what is “in scope” or out of scope. For example:

“The mission of the Family Council is to provide the family with a vehicle for communication, education and mutual support so that the family can maintain and/or increase assets, wisdom and harmony into future generations.”

Next, it is important to be clear about where the family sees itself in the future, i.e. the *vision and goals* the family would like to achieve. These provide direction to the family about the activities it is chartered to pursue. Typically, goals include capturing and sharing the family legacy, education of family about business, communication and stewardship, fostering good relationships within the family, determining policies about use of family assets, etc.

The third task is to determine how it will be organized. The questions to be addressed include:

- a. How often will we meet
- b. What goals will we accomplish through various types of meetings (regular meetings vs. retreats)
- c. Who will belong to the Family Council
- d. Who will provide leadership
- e. What is the budget and how will it be funded
- f. How will communication occur (documentation and sharing of information)
- g. What ground rules will be established to clarify expectations of how members will conduct themselves as part of the council, to assure a safe and level playing field

Phase Three: Organizing On-going Activities

As indicated above, the vision and goals will dictate the on-going activities of the Family Council. Some critical success factors include:

1. Keep the activities relevant and engaging for the range of members.
2. Revisit the mission regularly to assure that the reason the council was chartered is still being addressed.
3. Rotate leadership so that the same people are not responsible for the work all of the time.
4. Be clear about what authority the Family Council has and honor decisions made by the council with consistent implementation.
5. Make sure there is a balance between fun, tough planning and decision-making, and time for family connecting.

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Activities for a Family Council

by Dennis P Jaffe

The challenge for a family council meeting is to get people to open up, listen and talk to each other in a different way than they ordinarily do. By using some simple tools, you can begin to discover new things about yourself and your relatives.

Roles for Meetings:

Two roles are important for an effective family meeting. One person (or maybe an outside consultant) will take the role of facilitator. This person is responsible for the atmosphere and climate of the meeting, how people talk to each other, and keeping focused on the task. The facilitator is not involved in achieving any particular outcome, but only in making sure that the process is one where people are open and listening to each other.

The other role is the recorder. A family meeting is really helped when there are one (or several) easels with

The challenge is to share some aspect of yourself with your family that you don't ordinarily share, and to use the space to show yourself in a new light.

large pads, and a person who writes clearly the main points that are said. Each page is then posted on the wall, so that people can see a graphic record of the key points at any time in the meeting. At the end of the meeting, the notes can be transcribed to provide a record of what was said and done at the meeting.

Code of Conduct:

At the beginning of a workshop, the family defines clearly, and writes down, what they want from each other in order to feel comfortable and safe in the meeting. They create a set of



is not being observed.

guidelines for family behavior at the meeting, which is posted as the Family Code of Conduct. Each family member shares the responsibility for interrupting if they feel the Code

Personal Collage:

Each person takes a large sheet of paper, some colored markers (or, if you are ambitious, pictures from a collection of magazines) with the task of creating a personal collage that says something important about who you are inside. The challenge is to share some aspects of yourself with your family that you don't ordinarily share, and to use the space to show yourself in a new light. Each person presents their collage without interruption, and then there is time for questions and answers from other family members.

Stakeholder Groups:

Have different stakeholder groups take the floor in the middle of the room, with others observing on the outside, for a discussion of their particular concerns. The group can be a generational group, males or females, in-laws, or different family branches. After their time in conversation, everyone can comment and question. As an alternative, each group can meet on their own, and prepare a statement to the others about what they care about.

Pair Interviews:

Pairs of family members who seldom interact spend an hour or so together, talking about their individual histories, goals, feelings and work/lives. Then

each person shares with the whole group what they learned about the other that they didn't know. This process can help people talk about difficult issues and build family bonds across boundaries where people tend to stereotype or misunderstand each other.

More, Less:

One family member sits in the center, and the others tell what they want to see more of from that person and what they want to see less of. They

Two family members who are having difficulty with each other spend a period of time in which each must express the other's point of view to that person's satisfaction before they can share their own.

can also begin by sharing what they most like, admire or appreciate in that person. This is a way for people to open up to conflicts between people. Always start with the positive rather than the negative. The more of, less of, exercise can also be done for the family as a whole, with people sharing what they want or wish the family did more or less of.

Changing Roles:

Two family members who are having difficulty with each other spend a period of time in which each must express the other's point of view to that person's satisfaction before they can share their own. This helps get people into one another's shoes.

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Family Councils Come in All Flavors & Sizes

by Sam H. Lane



Family-owning enterprises have come to recognize the benefit and need for expanding participation to include a larger group than the immediate family. Having a family council helps define appropriate boundaries between

various constituent groups. Beyond consistency within these broad principles, family councils are a diverse lot. This is good. Each one should be tailored to fit the needs and situation of each family. Also, the Family Council does not exist in a vacuum. It fits within a larger context of the Governance Structure and needs to be an integral part of a multi-faceted system.

Specifics vary as a function of the size of the family and their generation. The size of the enterprise matters some, but not as much. Sibling Partnerships—where succession is occurring from the first to the second generation—typically have ten to twelve people to fit in. Cousin Consortiums, which are typically in the fourth or fifth generation, have thirty to forty people to accommodate. In addition, some very large families might have as many as two hundred people within various parts of the Governance Structure. As the Family Council increases in size, the interests of people become more diverse. The Council should be designed to deal with this larger size while still achieving the same purposes as with the smaller groups.

Regardless of size, all families who implement a council must address similar issues.

1. Who can be a member?

There are several aspects to this criterion. One is age. The tenets of wealth

management advocate beginning a developmental process with young people when they are in their middle teens. This is a good time to begin talking about stewardship, personal responsibility and their potential role in the enterprise.

Most family councils are composed of family members who are owners, their spouses and their children who are of age. Sometimes questions come up about how long a couple needs to be married before the spouse is admitted. Other times, questions arise about “significant others” who have an important personal relationship but are not married. We advocate inclusiveness, but will defer to the client if someone feels strongly.

2. What is the purpose of the Council and what is the scope of its authority?

With smaller family councils, their purpose tends to be information sharing, family development and creating an environment of inclusion with the larger family. As the council gets larger, it becomes a vehicle for promoting diverse family interests such as family history, philanthropy and affinity groups. As the number of owners increases, it becomes impractical for everyone to participate in the ownership structure. The Family Council typically develops some form of representative governance to address this issue. Most family councils are responsible for developing a Mission and Values Statement as well as Employment and Compensation Policies.

3. How much and what kinds of information do we share?

Many times, larger family enterprises are public, so this is not an issue. It is far different with small family enterprises that are private. Most have a history of keeping information close to the vest. Reasons for secrecy range from a fear of what might happen if competitors gained access to a fear of the reaction of people

who found out the status of the wealth. For many families, this information has not been shared. This sharing can be a real psychological hurdle, even if the “powers that be” generally favor the idea.

This issue also overlaps with who can be a member. A legitimate concern is ensuring an individual’s personal finances are not shared with the wider

As the Family Council increases in size, the interests of people become more diverse. The council should be designed to deal with this larger size, while still achieving the same purposes as with the smaller groups.

group. Family members may have different amounts of ownership and money invested, which is legitimately not the business of others.

Another area that can be even more sensitive than financial information is estate planning. The next generation needs to be aware of his or her parents’ estate plan, so everyone can be prepared for the structure of the eventual ownership transition. It also facilitates merging one generation’s estate planning with the next, to optimize the flow and minimize taxes. If parents are reticent to talk about their plans, not much can be done until their feelings change. Pushing them beyond their comfort levels increases the resistance.

In our collective experiences, Family Councils are an important part of the overall success of a family enterprise. They serve a significant purpose by giving definition to the “family” part of the family business.

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Clans, Tribes, Bands, Dynasties and Family Councils

by Joe Paul



Family councils bring principles of governance to the informality of family life and they connect relatives' lives in complicated ways. For instance, in many families the

spouses of two cousins might not even know each other, much less share fiduciary responsibilities. But in families with a family council, these in-laws might meet regularly to discuss family philanthropy, or help manage an educational fund for the younger family members.

Sharing economic, social, spiritual and corporate interests has been normal for wealthy families throughout history. For thousands of years, powerful families have united around their shared self-interests in the form of clans, tribes, bands and royal dynasties. Via oral traditions or written documents, they have created governance systems that bring discipline and order to the complexities of family dynamics. In the Middle East, these meta-family gatherings are alive and well.

Two years ago, I led a workshop in Jeddah, Saudi Arabia, for Saudi family business leaders. One segment of the workshop was a telephone interview with the leader of a seventh generation family business in North America. Our topic was "Governance Structures for Family Businesses." In North America, this interview had always impressed the audience, especially the part about the annual gathering of over 350 shareholder/family members.

My Saudi audience, however, was unimpressed. When I questioned them about this, they told me: "This kind of gathering is nothing to us. We have more family members than that at

gatherings that happen at least once a month!"

More recently, in Kuwait City, I visited two diwanias. Diwanias (translated as "little parliaments") are deeply rooted in the ancient Bedouin custom of nightly gatherings around the campfire to discuss the latest happenings and make decisions about the next day's activities, transact business, or socialize. Today's powerful business families in Kuwait have nightly diwanias, but they are in marble palaces with one large, beautiful room full of cushions and sofas (divans) arranged for spontaneous discussions. These gatherings (separate ones for men and women) hold the extended family together, support their collective business and political interests and manage the interface between the family and the world.

My oldest family business client is Turkish. It has been an economic, spiritual, social and intellectual entity for 1400 years, and they are direct descendants of Muhammad's daughter, Fatima. During our assessment process, the family leader and Chairman of the Board shared with me that his family legacy is to "create wealth, so that we can do good in the world."

This family of over 1200 is considered a tribe in Turkey, and is divided into 12 clans. Over 300 of these relatives work in the businesses owned by this very well known and highly respected family. As you might imagine, over the centuries this tribe has developed some durable rules, structures and processes that govern clan and family politics. One example of this is a weekly meeting with the family elders, where all 1200 family members are welcome. In this weekly gathering, internal disputes are settled, issues are discussed and a strong sense of tribal identity is sustained.

Working with Middle Eastern business families has led me to think of family councils as a modern version of ancient clans, tribes, bands and dynasties. I have also learned that it is not a question of whether the meta-family group will be governed or not. It is a question of what they will be governed by. In all cultures, the consulting challenge is to help the large family group be governed by ideas, values and principles instead of emotions and internecine politics. In almost all cases, this is done by helping to identify and develop those who will lead, and to support them by developing the organizational structures and processes that will help create the future.

Some traits of robust clans, tribes, bands, dynasties and family councils are that they:

- ◆ *Tend to be defined more by traditions, covenants and moral authority than by contracts*
- ◆ *Tend to see themselves as descendents of an apical ancestor*
- ◆ *Share stories of the family that give a sense of place, community, identity and loyalty*
- ◆ *Have a multi-generational historic and futuristic perspective*
- ◆ *Are a meaningful economic entity*
- ◆ *Tend to defer to the moral authority of their leaders*
- ◆ *Have a willingness to sublimate personal interests to the greater good of the larger group*
- ◆ *Share a history of gatherings where bonds are renewed*

J. Joseph Paul

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resources

books

- A) **The Best of the Human Side
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- B) **Working With Family Business**
by David Bork, Dennis T. Jaffe,
Sam H. Lane, Leslie Dashew, and
Quentin G. Heisler \$15
- C) **Working With the Ones You Love**
by Dennis T. Jaffe \$15
- D) **Family Business, Risky Business**
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- E) **Health, Wealth and Families: How to
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6. **The Challenge of Families
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7. **Transferring Authority
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12. **The Family Business Employment
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5. **Joining the Family Business**
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Other benefits of Family Councils

- ◆ Reducing the influence of family dynamics in Board meetings
- ◆ Giving a voice and status to family members who are not in the business
- ◆ Providing support to the business leaders, Directors, etc.
- ◆ Creating ways to contribute to the family legacy other than working in the family business
- ◆ Creating a venue separate from the business to address family issues
- ◆ Grooming the younger generation in stewardship
- ◆ Creating structures that encourage the family to speak with one voice in public on business governance, philanthropy, etc.
- ◆ Creating a sense of community and identity with the extended family and an emotional bond among shareholders
- ◆ Bring conscious intent to the growth of the family legacy rather than letting it happen by default
- ◆ Generally increasing the likelihood that family assets can be held together and leveraged

family business assessments

As an advisor to complex wealthy families and family businesses, how often have you wished you could quickly get information about areas where family members do not see eye to eye, and find a way to bring those areas to the attention of your clients in a non-threatening way?

The Aspen Family Business Inventory helps families who are in business together to sort out the issues of communication, succession, work roles and family boundaries, effective management, and their vision of the future.

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