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ONE of the major differences between legacy families that retain their wealth and stature and those that do not is that the former invests time and effort in addressing issues that go beyond financial wealth – focusing on money matters, of course, but also addressing the “soft” factors such as family values and organisation which are equally relevant to long-term family success.

Most families with a tradition of successfully preserving wealth and family harmony across generations would have some form of a Family Council, a formal group made up of family members – and in some cases, trusted outsiders as well – which represents the family as a whole in considering and making decisions on the full array of family issues.

#### Purpose and forms

The purpose of a Family Council, and the system of governance and leadership of which it is part, can vary by family history, culture and objectives. Despite many differences, in most cases a Family Council will oversee the activities necessary to keep the family united, engaged and successful in all elements of the family enterprise: business, investment, philanthropy, family reputation and the family itself.

These family issues can include: defining vision and values, specifying family membership (with special attention to the treatment of spouses and in-laws), ensuring the effective operation of the documents and institutions of formal governance, informal organisation, leadership, family development, transitions and succession, rights and responsibilities, risk management, culture, communications and common activities, relationships, dispute avoidance and, where necessary, resolution.

The overall purpose of a Family Council is often related to supporting the broader objectives of a family and its leaders: family unity, harmony, a positive and supportive culture and values, an appropriate degree of togetherness and cohesion, and defining and overseeing family members across branches and generations in their roles related to family business, investment or philanthropy.

The ability to strengthen bonds between family members, build trust between individuals and generations, and “carry forward the traditions and values of a name worthy of respect” can all be seen as important elements in the family’s long-term success.

Family Councils, almost always defined in a Family Charter, Constitution or similar document, may be large or small, formal or informal in operation, elected or appointed, limited to certain (for example shareholding) types of family member, may or may not include non-family members, and can carry with their function varying degrees of operating and decision-making authority.

# All for one and one for all

**A Family Council's raison d'être is to create a whole that is greater than the sum of its parts**

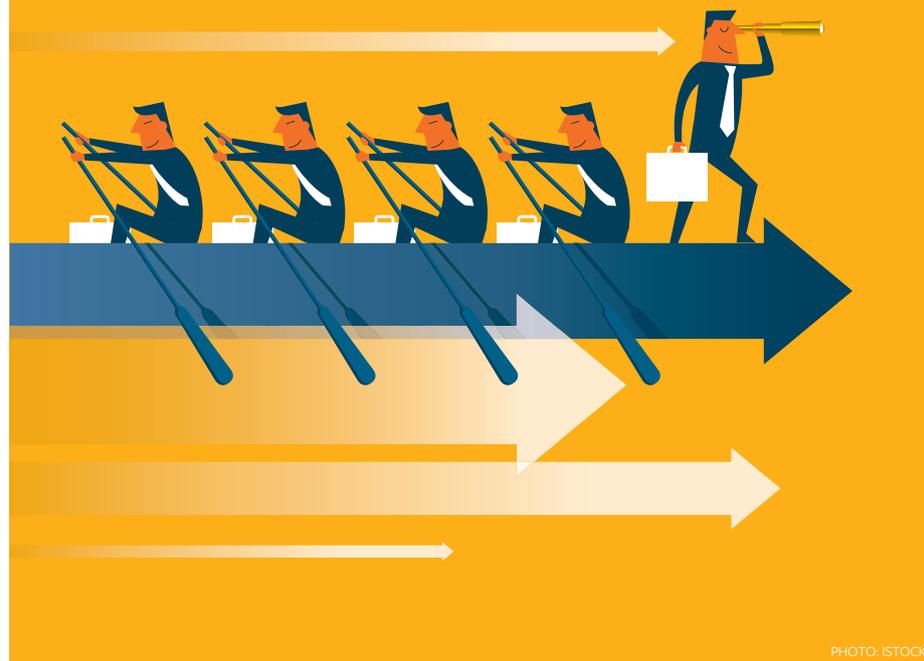


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In some cases, the Family Council sits above a family business and makes decisions as a shareholder. In other cases the Family Council sits below the company board and addresses those family issues not relevant to the interests of the business. In many cases, the Family Council sits beside the business, with the business focusing in a professional way on its commercial affairs, leaving the Family Council to focus on all other matters of importance to the family and its members.

#### Objective and issues

The overall objective of the Family Council can be seen to be to take an integrated and long-term view in order to guide current actions aimed at all family members to support the realisation of the Statement of Family Purpose across many future generations, addressing and aligning:

- Governance and oversight of family and related activities for generational transitions and leadership successions
- Family dynamics: relationships, values and culture (soft factors)
- Business, investment and other financial, legal and commercial matters
- Risk management, taking into account all types of risk and potential response
- Individual rights, roles and responsibilities
- Educational programmes and social activities
- Communication

In pursuing these broad objectives, the agenda for a Family Council meeting can cover a wide range of potential issues, some related to decisions and activities, others to communication and preparing for future decisions and actions.

**Internal family issues:** Activities can include taking a structured approach to engage all family members in programmes to reinforce family history, vision and values; setting strategies for the future (business, investment and non-business as well); bridging past, present and future through multi-generational activities; fostering multi-generational and multi-branch representation and interaction between members of the family celebrating the family’s achievements, traditions and history; having fun and recognising progress by individuals and the team; providing career and personal guidance; mentoring and supporting with honest feedback.

Because of its oversight role and inclusive membership, the Family Council is often the focal point for setting priorities and serving an integrating function for long-term goals and strategies.

**Enhancing communication:** This is one of the most important functions, and may include structuring and improving communication and interaction with regard to family, business, philanthropic and other issues; sharing relevant information as appropriate; clarifying expectations; and reducing uncertainty and confusion (and even, possibly, future conflict) by clarifying context, rules and describing the desired outcomes of selected initiatives.

**External issues:** These may include creating a common voice in the community, being aware of family reputation and contributing positively to it if needed, and supporting all family members outside the business.

**Managing transitions:** Families never

stand still, and managing the flow of changes within and around the family and its enterprise is one of the most important tasks a Family Council needs to address, in particular because major change – for example a transition from one generation to another – involves a large number of factors within the family, its businesses, investments, asset structures and for the individuals concerned as well as for the family as a whole. These transitions can include generational transitions, management successions, other changes of note linking the family and family business such as ownership, governance and management.

**Managing risk:** As a final set of activities, which also requires taking a holistic view of the family and its enterprise, is the identification and management of risks, including conflicts (to be avoided by anticipatory actions if possible) and disputes (to be resolved swiftly and fairly with as little broken glass as possible). Engaging a broader set of family members: spouses, children, others in philanthropy, social activities, education and other culturally reinforcing and socially bonding activities.

Other activities of importance may include family education and development, supplying services (investments, financial statements, accounting, tax, legal, estate, trust, property management, staff, insurance, security, property, art, etc), responding to emergencies, finding opportunities outside the family business, building an ecosystem of advisers and influencers, networking (and possibly investing) with like-minded families, educating spouses and children, supporting philanthropy and coordinating community engagement.

#### Keepers of the flame

In a world of increasingly complex families – embracing different generations, cultures, religions, educational attainment, language, residential locations and commercial activities – a Family Council can be seen, at its essence, as a keeper of the family flame, ensuring that the history, engagement, pride and purpose are pursued as best as possible under waves of challenge, change and controversy.

There is something special and meaningful about the family. It is the essential building block of our civilisations and our personal lives. In families with legacy wealth, and in families of more modest means, keeping past memories alive, strengthening the bonds between family members and working together towards a more aspirational future – are all objectives well worth pursuing.

In an earlier essay in this series we talked about families working together to create something greater together than its individual members could on their own. Maybe that higher element of purpose is what families should consider most in establishing, and operating, a successful Family Council of their own. **W**

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